

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1962

No. 23

PAN AMERICAN WORLD AIRWAYS, INC.,
APPELLANT,

vs.

UNITED STATES.

No. 47

UNITED STATES, APPELLANT,

vs.

PAN AMERICAN WORLD AIRWAYS, INC., ET AL.

APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

NO. 23 FILED JULY 25, 1961

NO. 47 FILED DECEMBER 1, 1961

JURISDICTION POSTPONED JANUARY 15, 1962

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[fol. 2805]

PAN AMERICAN WORLD AIRWAYS INC. EXHIBIT 180

[Handwritten notation—Argentina Airports Moron]

PAN AMERICAN AIRWAYS SYSTEM

MEMORANDUM

- DATE - June 3rd, 1937.

TO Vice-President Young

DEPT. Executive

LOCATION New York

FROM Regional Director

DEPT. Pan American Airways Inc.

LOCATION Rio de Janeiro

SUBJECT BUENOS AIRES—RADIO CONTROL FOR
NEW INTERNATIONAL OVERLAND OP-
ERATION.

In connection with the handling and protection of our contemplated overland operation on the new international route Rio-Asunción-Buenos Aires, it will undoubtedly be advisable for us to make some arrangement with Pan American-Grace Airways for the use of their facilities at Morón airport at Buenos Aires, at least pending the final resolution of the Buenos Aires municipal airport situation. Inasmuch as such an arrangement would undoubtedly be covered by an agreement between the respective managements of Pan American-Grace Airways and our own, in New York, I shall defer any action in this direction pending receipt of your instructions.

Insofar as the use of Morón airport is concerned, we have little or no choice for the time being, unless we were to consider extensive construction and airport improvement work at another site which could at best only be temporary. I certainly cannot recommend that we make any airport installation whatever at Buenos Aires, beyond the absolute

minimum necessities, until such time as the local airport situation may show signs of being definitely resolved and a specific program under way. In view of the foregoing and considering the desirability of providing maximum flight control, radio directional, communications and ground, as well as efficient passenger, mail and cargo dispatch facilities, on a temporary basis and with the minimum of outlay, an arrangement for the use of Pan Grace's facilities is indicated.

/s/ M. J. Rice
M. J. Rice.

MJR:OF.

cc. President—N. York.
Ch. Engineer—N. Y.
Ch. Comms. Eng.—N. Y.
Gen. Traffic Mgr. NY.
Manager—East. Mia:
Operations Mgr.-Rio.
Traffic Manager-Rio.
Comms. Superint.-Rio.

[fol. 2806]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 181

(Letterhead of Pan American Airways, Inc.,
New York City, N. Y.)

ESCRITORIO CENTRAL NO BRASIL
RIO DE JANEIRO

June 10th, 1937.

Mr. Evan E. Young, Vice-President,
Pan American Airways Inc.,
Chrysler Building,
NEW YORK CITY.

CONFIDENTIAL.

Dear Mr. Young,

For your information, I am quoting herewith an excerpt from a copy of letter signed by Mr. J. E. Muhlfield, General Traffic Manager of Pan America-Grace Airways, ad-

addressed to Grace & Co., Santiago, which was recently received by our Buenos Aires office:

"Re. Traffic Correspondence Buenos Aires."

After discussing the subject of traffic correspondence in the Argentine with Mr. Vidal and Mr. Harris, it has been decided that in the future Santiago Office will refrain from corresponding directly with Mendoza, Cordoba, Salta and Tucuman and will write to Buenos Aires directly on all traffic matters pertaining to the Argentine.

Buenos Aires Office will in turn supervise the traffic work throughout the Argentine, reporting directly to you".

This specific confirmation of the fact that the representation activities of our Argentine Company, in Panagra's behalf, are not solely confined to Buenos Aires and immediate vicinity but that they do, in fact, extend to all of Argentina, may be of some assistance to you in connection with the current discussions which I understand are taking place with Grace & Co. in New York. Irrespective of the fact that Panagra assumes two thirds of the operating costs of the Argentine Company there is hardly any question but that they are getting "value received" and that it would cost them greatly in excess of their present outlay were they to set up their own organization to handle their business exclusively.

With kind regards,

Sincerely,

/s/ M. J. Rice

M. J. Rice,

Regional Director.

MJR:OF

cc. President—N.Y.

Gen. Trf. Mgr.—N.Y.

[fol. 2807]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 182

(Letterhead of Pan American Airways, Inc.,
New York City, N. Y.)ESCRITORIO CENTRAL NO BRASIL
RIO DE JANEIRO

June 17th, 1937.

Mr. Evan E. Young, Vice-President,
Pan American Airways Inc.,
Chrysler Building,
NEW YORK CITY.

CONFIDENTIAL.

Dear Mr. Young,

Supplementing my confidential letter to you of May 22nd, I now wish to take this opportunity to go into more ample detail as regards the detrimental effect which, in my opinion, the formation of a new Argentine Company by Pan-Grace would have, particularly in consideration of the general civil aviation situation in Argentina, as well as the competitive and commercial aspects.

As I mentioned briefly in my previous letter, from the political viewpoint the vital interests of both Pan-Grace and our own company are greatly benefited due to our ability to present a strong, integrally unified and coordinated front on all major issues through the intermediary of a single local company which derives greater power and commands infinitely more respect from Argentinian officialdom due to the fact that this single representative Company is the spokesman for a powerful combination of far flung interest which take in *all* of the countries of South America rather than being confined to any one sector. While without careful analysis this premise may seem dogmatic, I can assure you that to either Mr. Harris or myself or to any of our local people who are handling the day today contacts in Argentina, it is a point of major importance. The various government departments in Argentina, for

most among them of course in our instance being the Department of Civil Aeronautics, are constantly beleaguering us with the usual variety of "oficios", requests for detailed reports on certain phases of our operations, questionnaires, etc. The present ability of our Argentine Company to handle all such matters in a very general manner and to avoid delving into a wealth of what might often be embarrassing detail is frequently dependant upon sole joint representation. The moment that we have separate companies both Pan-Grace and ourselves must inevitably find ourselves confronted with a wide open situation whereby we are both vulnerable to being played one against the other, regardless of whatever cooperative efforts we may attempt, by the Government.

A very good case in point is the situation with which Pan-Grace and ourselves found ourselves confronted two years ago, when the income tax authorities charged both companies with grave irregularities in connection with our avowed failure to properly report our financial picture in Argentina since the initial period of our operations i.e. since the beginning of Pan-Grace's operation to Argentina [fol. 2808.] as well as in our cases from the initial period of our East Coast operation, and ~~not~~ since the formation of the local company and its appointment as joint representative for both the parent corporations. I need not go into this involved situation because it is a matter of record and well known to both Messrs. Vidal and Johnston upon whom the principal headaches devolved at the time. The fact remains however, that by virtue of the fact that our two companies were able to arrange a series of conferences between our local company and a single official of the income tax department and thus bring about a harmonious settlement which satisfactorily solved the *specific* difficulties of each of the two companies, made it possible for Pan-Grace and ourselves to clean up what might have been a nasty situation accompanied by sizeable fines and serious embarrassment. It will be recalled that, at the time, the income tax authorities endeavored to split their treatment of Pan-Grace's situation from ours and that we were both equally anxious to procure joint and simultaneous treat-

ment of the situation as a whole, through the Argentine Company in the capacity of general representative, due to the quite obvious advantage to be derived on our parts.

Another typical instance is the recent question of the new Air Transport regulations which the Department of Civil Aeronautics attempted to put through as a forerunner of their proposed bid competition for the contemplated Argentine interior lines set-up. These regulations were so patently restrictive and overwhelmingly indicative of practically complete Government control, that, had the Department of Civil Aeronautics been successful in "railroading" them through, it would have been practically ruinous for either Pan-Grace or ourselves to attempt to continue our operations in the Argentine. Naturally it was of utmost importance to our collateral interests to do everything possible to procure amendment or withdrawal of the said regulations but, on the other hand, it is self evident that neither Pan-Grace or ourselves could have risked jeopardizing our local interests had we each been represented by a separate local company. As it actually worked out, we were able, practically single handed (for the opposition manifested by Condor and Air France was indeed weak, due to the very fact that each of them feared to say very much due to the risk of incurring extreme displeasure and consequent material prejudice on the part of local authorities) to bring about the withdrawal of these regulations—at least for the time being. In such situations our Argentine Company derives major backing from the fact that it represents every conceivable type of aeronautical operation—land plane as well as large flying-boat—operating in every country in South and Central America with a strong background of experience with the legislation and regulations of the various countries. You will notice that I specifically mention South America rather than to extend this scope to the more distant countries which the System serves. This is for the reason that the Argentine political situation accords major importance to their own "sphere of interest" referring more particularly to the adjacent countries of Brazil, Chile, Paraguay and Uruguay.

The recent case of the La Cumbre radio station wherein Pan-Grace refused to accept the services of the official Government radio station and instead constructed their station on the Chilean side of the Andes, is still another outstanding example. The Government and especially the Department [fol. 2809] of Civil Aeronautics has been extremely piqued by this action and there is little doubt but that had they been able to lay their hands on a single independent local company that represented Pan-Grace, their retaliation would have been severe. As it is, the fact remains that the Department of Civil Aeronautics is attempting to retaliate in some measure by withholding our operating rights for the Asunción international extension and we are thus suffering to some degree as a direct result of the La Cumbre incident. The fact remains that, in such cases in general, Pan-Grace and ourselves are both able to bear the lesser imprint of such limited retaliative measures than would be the case if either of us had to bear the full brunt through individual local companies.

The duplication of representation efforts in the case of two separate and independent local companies would be tremendous. As you know, Argentina is long and involved routine and it is indeed a boon to the operating organizations of Pan-Grace and ourselves to be able to handle this routine through a joint local company with the standard preface "The Cia. de Aviación Pan American Argentina acting in behalf of Pan American Grace Airways Inc. and Pan American Airways Inc. . . ." rather than through the medium of separate treatment on the part of each company. In this connection, also to be considered is the fact that the rather extensive expense items incidental to stamp taxes, dispatch fees, etc., will be exactly doubled if separate handling is necessary as would be the case with separate local companies.

I hardly need go into the financial side of this picture for either Comptroller Johnston or Comptroller Vidal can readily provide some actual figures to show that it would cost Pan-Grace at least double the present amount. I must admit that in our own case, if we did not have the Pan-Grace representation to consult in Argentina, we could

cut down the expenses of our Buenos Aires Office very considerably for, quite visibly, the major portion of our expense there is necessitated by the high frequency of Pan-Grace services and the extensive amount of attention which same require incidental to solicitation and physical handling facilities. The financial advantage which we might derive however from separate handling of our interests by independent local companies is greatly overwhelmed by and secondary to the more important political and competitive situations.

I need not mention that with separate companies neither company can keep up as elaborate and effective an organization to cope with the labyrinth of red tape and formality surrounding clearance, licensing of pilots, mechanics, etc., inspection of planes upon arrival and departure by Civil Aeronautics Department representatives, etc.

Considering the fact that both Pan-Grace and ourselves are today confronted with a rapidly augmenting pressure of foreign competition, we would simply be playing into the hands of Condor and Air France were we to weaken ourselves in Argentina by setting up separate representation. Naturally in both theory and practice the separate representative companies would cooperate very closely but it would be indeed naive not to appreciate that, even with the closest possible coordination, there is bound to be a certain loss of efficiency insofar as joint action is concerned. Our individual organizations naturally have different ideas with [fol. 2810] respect to many phases of our interests and whereas with a single representative these differences are to a great extent absorbed, it would be only natural that a noticeable loss of traction would exist while two separate representatives on the spot tried to agree among themselves on what to do—while at the same time our competitors would be gaining ground. I am not being supercilious when I suggest that due consideration be given to the fact that the Germans and the French are rarely able to agree upon anything except joint action when faced with a common enemy. Unfortunately our competition in Argentina is principally German and French.

At the present time we require the full strength and unity of a joint Argentine company as we never have before in the past. It is the fond dream, of long standing, of the present Director of Civil Aeronautics, to see a 100% Argentine air transport concern operate all of the interior services within Argentina and, in addition, extend to all of the adjacent countries. In accordance with his theory the rights of all foreign operators would then be cancelled and they would be forced to transfer their passengers, mail and cargo to the Argentine national transport system at the nearest point to the Argentine border. This is of course, at least for the present, a Utopian conception but one which can create many obstacles in the path of our collective interests if not properly handled. It is my impression that any change in our present organization in Argentina could only serve to diffuse the strength of our efforts.

Kind personal regards,

Sincerely,

s/ M. J. Rice

M. J. Rice,

Regional Director.

MJR OF
cc. President - NY

[fol. 2811]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 183

PANAMA AGENCIES CO.

CRISTOBAL, C. Z.

ORIGINAL AIR MAIL LETTER

COPY FOLLOWS BY STEAMER

CRISTOBAL

August 7, 1937

Mr. J. D. MacGregor,
NEW YORK.

Following survey of our position with regard to the promises made to the U. S. Post Office Department about getting

up our schedules, and taking into consideration the fact that we now have only one S-43, the only way we can meet our U. S. Post Office commitments to operate in 21½ days between Buenos Aires and the Canal Zone, in both directions, will be to change the operating days. One very simple method of accomplishing this would be to follow out my original recommendation that we operate Sunday and Wednesday southbound out of the Canal and arrive in the Canal on Monday and Thursday northbound. I understand that Panair didn't like this, probably on account of their own equipment problem. However, under their present method of operating they are required to have two S-42's on the Cristobal/Miami operation, and this plan of mine would not require more than that number. Please take this up with Panair officially in order that we can be in a position to resume the 21½ day operation, in both directions, over our line in the near future, in order to avoid difficulties with the U. S. Post Office. In my opinion, Panair have to accept this plan anyway, because, under our present arrangement with only one S-43, they will be unable to operate any further north of the Canal than Barranquilla on Mondays and Thursdays, and, presumably, they will not do this, but will actually operate Cristobal/Miami on Tuesdays and Fridays.

We must, of course, not lose sight of the basic situation with which we are now faced; that is, our whole F.A.M. operation is completely dependent upon the ability of our one S-43 to carry on the whole load of our operation between Cristobal and Guayaquil. As you know, Panair have not had any S-43's in the Canal Zone since July 14th, and do not plan to have this type of plane in the Canal in the future. Certain possibilities exist if our S-43 breaks down, and I will enumerate them here:

[fol. 2812] In the first place, presumably we can charter Panair's S-42 to operate from Cristobal to Guayaquil. This immediately means we have to give up the Cali operation, reverting to Buenaventura and water landings in Guayaquil. Presumably the Bahia Solano flag stop would have to be retained, although that is not particularly important.

Another possibility would be to charter or purchase an S-43 from Panair. Presumably this is impractical on account of their shortage of equipment. You undoubtedly have heard that yesterday Panair's S-43 cracked up in La Guayra. Information here is very sketchy, but it would appear that it was rather badly damaged, with some injury to at least the flight crew. The cause of this accident is unknown here. If you get any information on it I would appreciate hearing from you.

A third possibility would be the purchase by Panagra from the factory of an additional S-43.

After talking with Campbell about the possibility of securing prompt action on the implantation of new landing fields in Colombia, particularly at Tumaco, I am rather pessimistic about any prompt action by the Colombian Government in making landing fields available, or in permitting us to operate land planes through Colombia to the Canal. As I have previously advised, I feel that the idea of working toward land plane operation through Colombia to the Canal is the final goal toward which we should work, but I must confess that the only real and immediate solution of our present problem is for Panagra to purchase an additional S-43 as soon as possible. Mr. Campbell, with whom I have discussed this matter in great detail, concurs in this idea.

/s/ H. R. HARRIS
H. R. HARRIS

HRH:AW
cc JK.

P.S. It is barely possible that some of the S-43's which are now privately owned, such as Mr. W. K. Vanderbilt's plane, might be available for purchase at a reasonable price and prompt delivery.

[fol. 2813]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 184

THIS AGREEMENT entered into this first day of September 1937 between PAN AMERICAN GRACE AIRWAYS, INC., a corporation of the State of New York, United States of America, hereinafter referred to as "PANAGRA", and COMPANIA DE AVIACION PAN AMERICAN ARGENTINA, S. A., a corporation of the Argentine Republic, hereinafter referred to as "THE AGENT", WITNESSETH AS FOLLOWS:

WHEREAS, PANAGRA, operates an International Air Service for the transportation by air of passengers, mail and express, into, through and out of the Argentine Republic, and

WHEREAS, THE AGENT, has a suitable organization and facilities to represent PANAGRA in the Argentine Republic;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is agreed as follows:

1. THE AGENT shall have exclusive commercial representation of PANAGRA in Buenos Aires, and at such other points in the territory of the Argentine Republic as PANAGRA may, from time to time, designate, and for this purpose the said agency or commercial representation shall comprise the following purposes:

(a) Such administrative steps and negotiations as it may be necessary or advisable to undertake national, provincial or municipal authorities of the Argentine Republic in order to keep in force () concessions or contracts which Panagra () may have, as well as the obtention of new franchises, privileges or new agreements which () Panagra may execute with such authorities. The principal () THE AGENT shall be to take charge of all necessary negotiations and steps to be undertaken with the Argentine postal authorities, including the collection and of sums owing to PAN-

AGRA by the Argentine Postal [] receipt for postage on correspondence to be transported by air route, or for other reasons.

(b) THE AGENT shall likewise have charge of the obtention of the necessary documents relating to the clearance and reception of the air lanes of PANAGRA in Buenos Aires and at such other points in Argentine territory as PANAGRA may designate, in the regular service for air transportation of passengers, merchandise and mail.

[fol. 2814] (c) The contracting by THE AGENT in the Argentine Republic for passengers and freight, for the transportation of passengers or merchandise and freight over the airlines of PANAGRA, issuing for this purpose the respective tickets or transportation vouchers (cartas), including checking of baggage and collecting excess charges, attention to all other details connected with such contracting for transportation as may be arranged for.

THE AGENT shall also be entrusted in the Argentine Republic with the attention to and performance of details concerning the execution of contracts for transportation entered into by PANAGRA outside of the Argentine Republic and which result in the receiving and forwarding of passengers and baggage, or merchandise transported by the aircraft of PANAGRA.

THE AGENT shall also pay, for the account of, and bill to, PANAGRA, any commissions to sub-agents in Buenos Aires, and any other designated points in Argentine territory, for transportation over the line or lines of PANAGRA and its affiliated companies sold by such sub-agents in accordance with the terms of contracts which PANAGRA may have with such sub-agents.

(d) THE AGENT shall have the duty to contract for the special chartering of planes of PANAGRA, subject, in each case, to prior authorization being obtained from PANAGRA, and to attend to and enforce the execution

of such special chartering in accordance with regulations.

(e) THE AGENT shall likewise keep watch at the airport of PANAGRA in Buenos Aires, but THE AGENT shall in no way be responsible for, or have charge over, the regular operation of the lines of PANAGRA within the Argentine Republic, nor for the conservation of its fixed or flight material, in which two respects PANAGRA shall retain for itself all of the respective obligations.

II. PANAGRA shall pay THE AGENT for the above indicated services two-thirds of all the necessary normal, or basic, expenses for the maintenance and operation of the offices and personnel of THE AGENT in the Argentine Republic. These normal expenses shall not include any special, or extraordinary, expenses which THE AGENT may incur at the request of, and solely for the benefit of, PANAGRA, or any other company which THE AGENT may similarly represent.

[fol. 2815] Such special expenses shall be billed by THE AGENT directly to the company at whose request, and for whose account, they were incurred.

PANAGRA, in addition to paying, as above stated, two-thirds of the normal expenses incurred by THE AGENT in the maintenance of its organization and company, likewise obligates itself to pay to THE AGENT a sum equal to one percent. (1%) calculated on all cash income received by PANAGRA in the Argentine Republic as a result of: (a) sale of passenger tickets; (b) excess baggage; (c) freight (express) weight or volume charges; and (d) special charters of planes.

III. The settlement of accounts between PANAGRA and THE AGENT shall be made monthly, pursuant to the terms of this contract, and for this purpose THE AGENT will send to PANAGRA at regular intervals the debit notes, supported by appropriate vouchers, covering the respective amounts.

IV. THE AGENT shall have the obligation to promote the development of air traffic over the Lines of PANAGRA and shall carry out the necessary propaganda and publicity with respect to the services rendered by the company which it represents, and provide the utmost facilities for the utilization of the said means of transportation.

V. This agreement shall be retroactive to the first day of January 1936, and shall remain in force until such time as either party may give formal written notification of its intention to terminate this contract. This written notification must be given at least 60 days prior to the date on which the contract is to terminate.

[fol. 2816] VI. For all purposes of this contract, the parties hereto submit themselves to the jurisdiction of the ordinary courts and tribunals of the City of Buenos Aires and to the laws of the Republic of Argentina.

New York City, N. Y.

PAN AMERICAN GRACE AIRWAYS, INC.

By _____
Vice President

Witnesses for PAN AMERICAN GRACE
AIRWAYS, INC:

/s/ O. G. B

/s/ N. G. Bliss

Buenos Aires, Argentina

COMPANIA DE AVIACION PAN AMERICAN
ARGENTINA, S. A.

By /s/ E. B

COMPANIA DE AVIACION PAN
AMERICAN ARGENTINA S. A.

/s/ _____

2884

[fol. 2817]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 185

roig 5
5pm

to ROIG (LAPAZ) October 14th 1937

1. 6: your cable 6

ROIG SAYS: your cable 4 29th to 40th word

i.e. panair have taken definite commitment to make panama southbound one day immediately after rainy season or say early November—

ROIG SAYS: cannot understand in view of your cable 64 3rd to 22nd words

i.e. panair not in a position fly miami cristobal one day via barranquilla as sufficiently early departure from miami not practicable at present and after dark arrival cristobal considered undesirable—

ROIG SAYS: but if final decision think lima should be instructed by pan american grace airways establish at once schedule our cable 24 79th to 100th word

i.e. in order to insure satisfactory arrival hours at over night stops have to overnight southbound cali or bucapventura lima and santiago—

ROIG SAYS: as present irregular schedule disorganizing whole service sentence ends we greatly regret take this definite backward step and consider unreasonable post office continue

us in this position after november if
panair do not carry out commitment a
referred to

- 2 only
- 3 after
- 4 dispatching
- 5 our cable 4
- 6 could I
- 7 contact
- 8 juan
- 9 who
- 10 denies
- 11 emphatically
- 12 correctness
- 13 28th to 40th words
- 14 our cable 4

NEW YORK SAYS: they say panair
have taken definite commitment to
make panama southbound one day im-
mediately after rainy season or say
early november

[fol. 2818]

- 15 sentence ends juan
- 16 definitely
- 17 opposed
- 18 continuance
- 19 operation
- 20 via
- 21 cal
- 22 with any
- 23 type
- 24 plane
- 25 for the present
- 26 in which
- 27 we agree
- 28 sentence ends vidal
- 29 will discuss it
- 30 by cable
- 31 with
- 32 panagra

- 33 west coast
- 34 management
- 35 you and
- 36 macgregor sentence ends
- 37 regarding
- 38 land
- 39 survey
- 40 juan
- 41 entirely
- 42 favors
- 43 pushing
- 44 this
- 45 all possible
- 46 emphasizing
- 47 however
- 48 that
- 49 inauguration
- 50 land
- 51 operation
- 52 so far
- 53 distant
- 54 that he
- 55 again
- 56 recommends
- 57 immediate
- 58 purchase
- 59 843
- 60 it is my
- 61 understanding
- 62 that this
- 63 would
- 64 enable us to
- 65 carry out
- 66 July 19th
- 67 schedule
- 68 [. . .]
- [fol. 2819]
- 69 whereas
- 70 at present
- 71 this is
- 72 subject to

73 24 hours
74 delay
75 of which
76 juan
77 complaining
78 sentence ends 1
79 suggested
80 somebody
81 better
82 explain to
83 postoffice department
84 misunderstanding
85 with reference to
86 one day
87 operation
88 to
89 panama
90 but he
91 thinks
92 that this
93 should be done
94 when we
95 can submit
96 definite
97 schedule
98 both
99 north and
100 southbound
101 and
102 on which
103 vidal
104 is concentrating
105 in collaboration
106 with harris
107 macgregor sentence ends
108 before submitting
109 itinerary
110 to
111 postoffice department
112 we should
113 decide

114 whether or not
115 we are going to
116 purchase
117 additional
118 S-43
119 as it is
120 my understanding
121 that this
122 necessary
[Vol. 2820]
123 if we are to
124 operate
125 northbound
126 Buenos Aires
127 Cristobal in
128 3 days
129 sentence ends if in
130 4 days
131 we might
132 use
133 commodore
134 as spare
135 which is
136 not altogether
137 satisfactory
138 sentence ends while
139 I appreciate
140 desirability
141 doing
142 something
143 about
144 avoiding
145 sorting
146 delay
147 at the canal
148 fear
149 cannot advance
150 matter
151 further
152 this week

153 but
154 as soon as a
155 definite
156 itinerary
157 agreed to
158 by all
159 either
160 on basis of
161 one or
162 25-43s
163 I will
164 approach
165 postoffice department
166 with
167 juan
168 to reach
169 definite understanding
170 meanwhile
171 see no
172 solution
173 but
174 continuing
175 operation
176 on a safe
[fol. 2821]
177 basis over-
178 nighting
179 cali or
180 buenaventura
181 whenever
182 necessary
183 to prevent
184 arrival
185 guayaquil
186 after
187 dark
188 foregoing from garni
189 who in
190 washington

Mr. Garni:

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 186

Minutes of Adjourned Special Meeting of the Board of Directors of Pan American-Grace Airways, Inc., held at the office of Pan American Airways, Inc., Chrysler Building, New York, N. Y. on the 27th day of January, 1938, at 12.45 P.M.

PRESENT:

Messrs W F Cogswell
A Garni
H P Morris
R H Patchin
H J Roig
J T Trippe
E E Young

being a quorum of the Board.

Mr J D MacGregor, Vice President and General Manager of the corporation, was also present.

Mr Trippe called the meeting to order and on motion duly made and seconded was appointed Chairman of the meeting. Mr Cogswell, Secretary of the corporation, recorded the minutes.

Mr Roig called for the vote on his resolutions regarding overland operation in Colombia as set forth in the minutes of the meeting of December 23, 1937. A vote upon such resolutions having been had, the same were declared adopted, Messrs Cogswell, Garni, Patchin and Roig voting in favor of same and Messrs Morris, Trippe and Young not voting.

Messrs. Morris, Trippe and Young desired to have their views appear in the record as follows:

In view of the recommendations of the Vice President in [fol. 2823] Charge of Operations, as submitted to the Board by the Vice President and General Manager, that the ser-

vice now operated on that sector of the present West Coast route between Cristobal, C. Z. and Guayaquil, Ecuador be transferred to operate via Cali, Colombia, and Quito, Ecuador; and in view of the support of this recommendation by Messrs Cogswell, Garni, Patchan and Reig, Messrs Morris, Trippe and Yeung did not wish to delay a move which the management has recommended. They, therefore, refrained from voting against the resolutions offered.

They stated that, in their opinion, the continuance of operations via a coastal route, contemplated in the Kellogg-Olaya Treaty between the United States and Colombia, would be to the best interests of Pan American Grace Airways, Inc.

They pointed out to the meeting that, while they felt the route via Cali and Quito could be established, they are of the opinion that the more direct route between Cristobal and Guayaquil, following the great circle course (or with an intermediate stop at Buenaventura if desired), would:

- (a) In the aggregate, prove to be faster, as well as shorter;
- (b) Be preferable from a technical operating standpoint;
- (c) Permit greater schedule regularity and fewer interruptions on through service between Cristobal and Ecuador, Peru, Chile, Bolivia and the Argentine; and
- (d) Over a period of time be more profitable to the company commercially, on account of the greater volume of total traffic that would accrue to it, with especial [fol. 2824] reference to through passenger traffic between the United States and Ecuador, Peru, Chile, Bolivia and the Argentine.

They further pointed out that if the traffic which might be developed between the West Coast city of Cali and Cristobal was an objective in the plan for the interior route, they felt that such traffic might best be developed by means of a separate shuttle service between Cristobal and Cali, thus providing full capacity of equipment as compared with

the limited capacity that would be available by including Cali as a point of call on the more circuitous through service.

Messrs Morris, Trippe and Young also pointed out that although their fellow Directors present have in the past indicated as a matter of policy that they did not view with favor a program contemplating large four-engined equipment operating through to Guayaquil on a charter or other mutually cooperative basis with Pan American Airways on one or more weekly round-trips on account of the possibility of prejudicing Pan American-Grace's position as an independent company, they were still of the opinion that such a program was feasible and would be to the best interests of Pan American-Grace Airways as well as to the general public, in view of the greater capacity and efficiency of flight equipment thereby possible.

Messrs Cogswell, Garni, Patchin and Roig made the following statement on the record with respect to their vote [Vol. 2825] in favor of the resolution:

While regretting the necessity of acting without the full concurrence of their associates, Messrs Cogswell, Garni, Patchin and Roig feel that the welfare of the service calls for action without further delay and that the recommendations of the management, being sustained by the reports referred to below, should be adopted by the Board.

The land operation over Colombia has been the subject of careful study over several months. The conclusions reached by the management are based on detailed studies and reports. The Company has the planes with which to institute the service. We are unable to concur in the conclusions of our associate directors based on what they believe to be the commercial advantages of the plan they propose.

There being no further business, the meeting adjourned.

/s/ J. T. TRIPPE
Chairman of the Meeting

/s/ W. F. COGSWELL
Secretary

[fol. 2826]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 187

EXHIBIT B

MEMORANDUM

January 27, 1938

At Mr. Trippe's suggestion Messrs. Gami and Roig called at the Pan American office at 9:45 this morning for a final conference on the subject of W. R. Grace & Company's representative's request to transfer the route between Cristobal and Guayaquil to a route between Cali and Quito. They examined the operating cost estimates prepared indicating the expected cost of operation using an S-42-B and S-43 on the coastal routes, as against DC-3s on the interior route.

Copies of these estimates are attached with this record.

Colonel Roop and Mr. Vidal joined the discussion and pointed out to the meeting the basis on which the cost estimates had been prepared. The reasonableness of both sets of figures were agreed to by all present.

Before finally requesting that a Board meeting of Pan American-Grace Airways be convened to consider action under the resolution submitted by Mr. Roig to transfer the route, Mr. Trippe offered to arrange for a demonstration service of from three to six months with the Pan American Airways S-42-B in addition to Pan American-Grace's S-43. He offered to absorb on the part of Pan American Airways the additional indicated differential in the cost of operating [fol. 2827] the coastal route as opposed to the interior route (\$2,000 per annum), pointing out that Pan American was confident that the result of such a trial service would amply demonstrate that the additional capacity could be well utilized to secure additional traffic as compared to the interior route under the plan proposed by Mr. Roig. He stated that both the ton miles and seating capacity of the coastal service would be doubled between Guayaquil and Cristobal as compared to the interior route on the assumption of ten seats maximum capacity, which was submitted by Messrs. MacGregor and Vidal on behalf of the Management as being

the maximum capacity that would be available on that route with DC-3s. Mr. Trippe also further pointed out that in formal discussions with the underwriters had indicated that the passenger liability rate on the coastal route as against the interior mountainous route would be less, indicating the relative safety of the two routes in the opinion of an outside underwriter. Mr. Garni, however, pointed out that underwriters often did not properly discount local conditions in arriving at their rate schedules.

Mr. Trippe also stated that Pan American was willing to offer to make this demonstration without indicated profit because of its interest in building up traffic on trans-Caribbean services running between Miami, Kingston and Cristobal, which was now suffering by virtue of the fact that there was such limited capacity south of the Canal Zone on Pan [fol. 2828] American-Grace Airways and that the alternate plan to fly via Cali and Quito did not materially improve this condition. He also pointed out that the express in addition to passenger traffic was continually increasing and Mr. Vidal confirmed that certain shipments to the Argentine had been re-routed via the East Coast because of lack of capacity on the west coast operation. Mr. Garni finally asked Mr. Trippe whether Pan American would agree to turn over the through service between Cristobal and Miami to be run by Pan American-Grace Airways itself, if Grace & Company would not push its program of operating between Cristobal and Guayaquil via the interior route.

Messrs. Garni and Reig finally took the position that notwithstanding the reduced capacity and other factors advanced by Pan American in favor of the coastal service, that they still felt that their resolution should be immediately considered and action taken thereon.

Mr. Trippe thereupon suggested immediately convening a Board meeting so that formal action could be had and Messrs. Patchin and Coggs well were asked to come up-town to join Messrs. Young and Morris so that a quorum would be available.

At the conclusion of the informal meeting Mr. Trippe pointed out to Messrs. Garni and Reig that officials con

cerned in Pan American were without exception in agreement that the move suggested by the Grace directors would [fol. 2830] not be to the best interests of Pan American Grace Airways and they felt that time would confirm their opinion. Mr. Trippe pointed out that he would offer to have the difference of opinion between them submitted to arbitration or to Colonel J. Monroe Johnson, Assistant Secretary of Commerce and Mr. Harlee Branch, Assistant Postmaster General, two government officials most concerned with the general question at issue, but to this suggestion Messrs. Gurni and Rong took the position that the problem was an operating one and they did not feel that either an arbitrator or the two officials above referred to were qualified to reach even an informal suggestion, even though the matter were presented to them informally and in the friendliest way by Messrs. Gurni and Trippe as above suggested. The informal meeting adjourned to a formal meeting at approximately 12:30.

[fol. 2830]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 188

April 29, 1938

Memorandum for Mr. A. Gurni,
Vice President
W. R. Grace & Co.,
New York.

Please be advised that today, at five minutes to one, I received a telephone call from Mr. Evan Young requesting me to have lunch with him. Upon my arrival at his office I found Doctor Von Bauer and Mr. Rühl, and we all went to lunch together. I had no previous intimation that I was to lunch with Doctor Von Bauer.

During lunch I took the opportunity of thanking Mr. Von Bauer for the actions of the Seadta Company in not opposing: first, our request to the Colombian Government to operate through Cali, and second, that they did not oppose our request to change our route from the sea route to the over land route.

I went on to say that I had recommended to my Directors that Panagra enter into a traffic and airmail agreement with Scadta and Adela along the lines and for the period of the contracts those companies had with Pan American Airways. I mentioned that the only reservation I had was that I should like to have some assurance that Scadta would not operate into Quito and in that way enter into competition with our West Coast international service. Doctor Von Bauer vigorously confirmed what we had been told by Mr. Trippé. He said that Scadta had no desire to operate to Quito.

He stated that President Lopez had told him that he wished to leave some personal monument to his administration, that he had not the money to build roads as his predecessor had attempted to do, and that in his opinion the easiest way to do something of a striking nature was to develop air services in Colombia and connect that with the neighboring roads of Venezuela and Ecuador.

Doctor Von Bauer stated that he had suggested to the President that he could best develop Colombian aviation by putting in decent airports, but that that did not appeal to the President because it represented a large investment of funds which were not available; and the President, therefore, requested that Scadta make surveys to both Quito and Caracas, the President undertaking to get the necessary permits. In that way the President figured on leaving some important executive act without cost to him by which his administration would be patriotically remembered.

Doctor Von Bauer said that, speaking for Scadta, he still did not wish to operate internationally but that, although at the present moment, with the imminent change of administration in Colombia, the matter of the Quito connection had been dropped, he could not guarantee that a succeeding administration would not revive the question. What he would state was that the question would not be revived by him or by Scadta and that, if the question arose through the instigation of a succeeding Government, the problem would have to be restudied and some method devised to solve it.

[fol. 2831] Doctor Von Bauer said that he wished that Pan American-Grace would give some consideration to Scadta problems. He said that, upon my assurance that we had no present intention of engaging in cabotaje in Colombia, he asked why then did we ask for landing rights at Turbo and Medellin. He intimated that asking for these landing rights was not necessary if we did not intend to engage in cabotaje, that the mere fact that a route via Turbo/Medellin/Cartago to Cali was granted would give by Colombian law automatically the right to land there for emergency purposes, whether for refueling or for refuge from weather.

Doctor Von Bauer stated that, just as the Colombian Government might, on account of public or political pressure, try to force him to go to Quito, we might be faced with an attempt to make us serve the cities of Antioquia and Medellin, near which we pass on the new route. Doctor Von Bauer stated that Scadta naturally would deprecate the running of a lot of international airlines across Colombia, because sooner or later it would bring a demand that the international planes deliver mail and engage in international traffic in the interior, which would greatly prejudice the Scadta position. He said very frankly that Buena Ventura was the hub of his activities and that his entire organization was built to function from that outlet, and the loss of revenue to international operators would mean the death of Scadta.

I said I could see his position very well but that the prime object of Panagra's existence was to carry airmail to Buenos Aires via the West Coast of South America in as speedy a fashion as possible, and in order to accomplish this, we could not make a number of stops at Colombian cities, and that we would in every way fight for only a limited number of stops throughout the line, in order that a fast schedule might be maintained.

Doctor Von Bauer said that he had spoken to Mr. Kuhl about the agreement with Panagra and that Kuhl had told him that two years ago a draft was prepared but that nothing had come of it, but that he would again write to Mr. Kuhl, and he suggested that we send Mr. Kuhl our ideas of the contract in writing in order that it might be studied.

Doctor Von Bauer intimated that in all probability Scadta would have to establish, at quite some expense, a redespach point at Cali and the Scadta schedules would have to be studied, so that if possible a rearrangement could be made which would provide for the rapid transfer and transmission of airmail and express in Colombia in connection with Panagra's departures and arrivals.

In conclusion, Mr. Von Bauer was extremely regretful that he was unable to arrange for luncheon with Messrs. Iglehart and Carni. In his own words, he said: "You know I am just like any other employee, at the end of a string waiting for the latch-door to open". He said that it was imperative that he leave for Europe tomorrow and he wished me to personally convey his remarks to you. If he finds that, in spite of his urgency to leave (because of serious business complications in Austria), he is not able to settle certain business matters pending in New York, he will at once advise us and accept with great pleasure an invitation to any function you might care to extend.

[fol. 2832] He stated that on one of his first visits to the States, I believe in 1925, he endeavored to interest Mr. Joseph P. Grace in the Scadta Line but that there was some hitch and that Pan American jumped right into the picture. He wished me to convey to you that he still remembers with a great deal of pleasure the kind and courteous way he was received by Mr. Grace at the time he visited him in Hanover Square.

Apart from the above, Mr. Von Bauer said that he thought some study should be given by Pan American Grace to the portion of the route lying between Turbo and Antioquia. He said that, as I was aware, Buenaventura was the wettest place in Colombia and that the weather extended inland very often as far as Antioquia. The Doctor thinks that we should arrange for meteorological information from that section by the establishment of proper facilities. He also said that, while he could give radio service from Turbo and from Medellin, neither of these stations could give meteorological information from a part of the sector we would fly, and which he considers the most difficult part of

the new route. I shall discuss this further with Pan American Airways on account of their flying experience on the UMCA route.

J. D. MacGregor

c.c. HJRoig

JDM:MD

[for 2833]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 189

(COPY)

June 30, 1938

Mr. A. Garni
W. R. Grace & Co.
7 Hanover Square
New York City

My dear Mr. Garni:

I regret that I was engaged in a hearing when you called this morning. When I became available this afternoon your office reported that you had gone for the day.

I talked with Mr. Lamiell this morning concerning the proposed second direct air mail schedule between Miami and the Canal Zone. Frankly, this situation does not appear very encouraging.

In order to improve the service on the West Coast south of the Canal Zone we authorized the so-called La Paz "cut-off" several months ago, which entails an annual cost of about \$261,000. In addition, we established a direct schedule from Miami to the Canal Zone, at a cost of about \$228,000 per annum.

Notwithstanding these additional and expensive services there has been very little improvement in the schedules and practically no mail benefit. To authorize another direct service from Miami would cost approximately \$162,000 a year additional; which would be offset to the amount of about \$72,000 if the service now being maintained between

the Canal Zone and Barranquilla is abandoned. Even with this offset of \$72,000 a year the Department would be put to an additional expense of around \$90,000 a year.

This, added to the \$261,000 for the La Paz "cut-off" and the \$228,000 for the one direct schedule from Miami to the Canal Zone, would make a total cost of \$579,000 per year.

Unless some substantial benefits are to be obtained through a second direct schedule between Miami and the Canal Zone I doubt whether such an additional service, with the attendant cost, would be justified.

I am leaving tomorrow for a short vacation and I suggest you confer further with Mr. Lamiell concerning possible improvement in the service.

Sincerely yours,

Harlee Branch
Second Assistant
Postmaster General

[fol. 2834]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 190

November 11th, 1938.

Mr. Evan E. Young, Vice President,
Pan American Airways Inc.,
Chrysler Building,
NEW YORK CITY.

CONFIDENTIAL

Dear Mr. Young,

I recently had occasion to call Mr. Bradley to Rio for the purpose of discussing several pending matters and, in the course of our various conversations, we touched upon several matters of importance, the gist of which I am passing on to you as of possible interest at the moment.

1. EXCHANGE SITUATION IN ARGENTINA:

We reviewed in detail the matter of procurement of official exchange for remittance of our accumulated

peso surplus to New York. As you are of course aware, the two most recent remittances were accomplished at the free market rate as a result of our inability to obtain official coverage.

While it is definitely a statement of fact that the procurement of dollar coverage at the official or "pegged" exchange rate today, in Argentina, is rare if not impossible of accomplishment, I mention an incident which took place in the month of March this year and which apparently has not enhanced nor in any way strengthened our position with the Government Exchange Board. It appears that at that time Pan Grace had been employing most, or practically all, of their peso income on capital expenditures incidental to airport construction and improvement work etc., within Argentina, and was in further need of additional pesos, to cover current operating costs. A transaction in the open market was then consummated in which \$50,000.00 U.S. was converted at the then current rate of exchange of 3.84 to the dollar (current rate: 4.20 to one). This transaction, under ordinary circumstances, would have caused no comment. However, inasmuch as Pan Grace simultaneously had pending before the Exchange Control Board a request for official exchange to cover remittance, the former transaction was looked upon with natural askance. At best, the wisdom of converting U.S. dollars at the open market rate, while simultaneously requesting remittance coverage at the official rate, is indeed open to question; such a procedure would enable one to import U.S. dollars in Argentina; purchase pesos on the open market—then with those pesos buy back a greater amount of dollars than was originally employed in the transaction. As to whether our inability to procure official coverage is directly attributable, either in whole or part, to this transaction, I would not care to hazard a guess. The fact remains however that neither organization has enjoyed this privilege since the month of August 1937, when Pan Grace accomplished their last remittance at an official exchange rate.

2. REDUCED AIRMAIL RATES:

The foregoing also ties in quite closely with the adoption of the lower airmail rate schedule offered by us some time ago in conformity with the exchange of correspondence on this subject between your office and mine. The delay in arriving at a final decision appears to be solely attributable to the question of exchange coverage. As you will readily recall, our offer specifically stated that liquidation of such accounts as may accrue from income on mail dispatched from Argentina to the United States is to be made in U.S. dollars at the official rate of exchange. Alternatively if official coverage could not be guaranteed the new rates were to be increased in the same proportionate ratio as the official exchange rate has to the free market rate. In other words we are interested in getting a fixed amount of dollar revenue per weight unit and it is immaterial to us as to whether Argentina chooses to handle it by granting official coverage or by making the rate high enough to protect us at the open market exchange rate. Naturally, it is to the interest of both Argentina and ourselves to have the former arrangement placed in effect inasmuch as if official exchange coverage is granted the peso rate quoted to the public will be proportionately lower than in the latter case. Mr. Bradley advised me that this matter was still in the process of active discussion with the postal authorities but that he was hopeful that immediately following his return to Buenos Aires it would be possible to expedite a prompt decision. I expect very shortly to receive a report of his findings, which I shall of course pass on to you as soon as received.

3. BUENOS AIRES FEDERAL AIRPORT PROJECT:

The possibility of obtaining early action on the Government airport project at Buenos Aires was discussed at some length but, after all is said and done, my reaction is that little optimism is justified. The chances for any material action or progress in that direction appear to be as remote today as at any time since the

initiation of conversations and discussions on that subject years ago. Mr. Bradley feels that it may well be two or three years before any concrete action is forthcoming.

4. GENERAL RELATIONSHIP WITH PAN GRACE IN ARGENTINA:

In the course of our conversations I accorded marked emphasis to the question of the repeated complaints received from Pan Grace and their very patent dissatisfaction with the general handling of their business and representation in Argentina by both Messrs. Bradley and Moore. While Mr. Bradley was definitely cognizant of this dissatisfaction in general, he professed to be genuinely astounded to learn of the extent of their [Vol. 2836] criticism and complaints. He based his reaction on the allegation that no official of the Pan Grace organization ever, either verbally or in writing, has made any other than routine criticism of his handling of their affairs. In his own defense he pointed out that his position, insofar as Pan Grace is concerned, often tends to be peculiar and at times embarrassing in that his orders from them are received from multiple sources and are, more often than not, conflicting in sense. According to his statement he received direct orders from no less than seven officials of the Pan Grace organization, in addition to the supervision of this office in connection with matters which concern either Pan American Airways Inc. or our local subsidiary. In Bradley's defense, and even after discounting considerably for possible exaggeration, there is no question but that this long standing situation has not as yet been corrected entirely and, in its present status, leaves much to be desired from an organization standpoint. This of course is a matter quite beyond my sphere of jurisdiction and I mention it here solely with the idea in mind that perhaps it might be of some assistance to you in weighing the complaints directed against our Buenos Aires organization which are frequently brought to your attention.

The mention of Pan Grace's dissatisfaction quite naturally lead our conversation around toward a discussion of the possibility that they might wish to install their own office at Buenos Aires, at some future date. Out of a clear sky Mr. Bradley came out with the statement, accompanied by enjoinments as to its "off-the-record" nature, that Mr. Vidal had already discussed the subject with him in detail and had actually gone so far as to suggest the possibility that Bradley might serve as President of their local organization as, if and when the formation of such an additional corporate entity might take place. If true this little tid-bit is not only paradoxical but would certainly appear to be whimsical on the part of Pan Grace. I pass it on to you for what it may be worth.

In general my opinion of the Buenos Aires situation, on the whole, has undergone little change from that expressed in my previous and copious reports on this subject. I still feel that Pan Grace is getting their money's worth in ample and generous measure, that their representation—both commercial and institutional—is handled in a strictly impartial manner, that, while Mr. Bradley is no "world-beater" his services are as satisfactory as can be expected under the circumstances, that our general representation of Pan Grace in Argentina compares favorably with their representation in other countries which they serve both as regards cost and accomplishment. The replacement of Messrs. Bradley and Moore, either or both, is and will undoubtedly continue to be an intermittently recurrent subject for discussion. It is my well considered opinion that it would be unwise, impolitic and certainly not convenient to give any thought, at the present time, to the possible supplanting of Bradley by another local (fol. 2837) man in a similar category. It is extremely unlikely, even admitting all of Bradley's faults, that another man could be procured at less than twice the figure that we pay Bradley whose all-round worth would prove more satisfactory—under existing circumstances. As regards the possible replacement of Moore, which

Mr. Vidal strongly advocated. I am not wedded to any "stand pat" attitudes and if such an organization change is demanded and might serve to assuage Pan Grace for the time being, I have no objection as long as Moore's successor is well chosen. If such action is finally decided upon however I would like to see its execution deferred until I have the opportunity of discussing personally with you all angles of the subject.

I trust that the foregoing will serve to provide you with up-to-date background to supplement my previous reports on Argentina.

With kind personal regards,

Sincerely yours,

/s/ M. J. Rice

M. J. Rice,

Regional Director.

MJR:OF.
cc. President—NY.
Manager—Miami.

[fol. 2838]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 191

My Dear Tripper:

They say, you never read a letter: please read this one carefully, it will save you time. Please don't lose it, but destroy it after you have read it. I will explain to you in a nutshell the object of my present visit:

1. The situation in Germany is getting increasingly difficult, things have moved from bad to worse. I don't need to prove that, you can read it in the newspapers.

2. In Colombia the nationalization law came into effect. At the same time the new President shows certain leanings towards the left, and has paid them already a substantial subsidy. If nationalization of SCADTA is delayed too much, prospective Colombian buyers of Scadta shares might

lose interest. Colombian Government also fears and objects to German interference in domestic Colombian aviation.

3.—Under those conditions my position is getting more doubtful than ever. It is more and more impossible for me, to manage SCADTA on a fiction; which, if revealed, would have most dangerous consequences both in Germany and Colombia. SCADTA in itself is a sound business, its political aspect can be efficiently managed, but I must have solid ground under my feet.

Here is my suggestion:

a) P.A.A. sells to me definitely the majority-stock of SCADTA, leaving me in full and free possession of said block of stock. I acquire the majority not in view of selling it to the Colombian Syndicate, but to keep the stock for my own benefit.

b) In order to comply with the Colombian nationalization-law I am willing to sacrifice my German nationality and acquire Colombian citizenship. I have all hopes to believe, that si[illegible] have worked in Colombia from 1911 on, since undoubtedly the co[illegible] owns me gratitude and since the new President is a personal friend of mine, the Colombian Government will facilitate this matter and will accept me as Colombian owner of the majority-stock, as prescribed in the new nationalization-law.

c) This move would make me entirely independent from Germany. It would increase considerably my desirability as a partner with your Board of Directors. It would give me a solid standing with SCADTA's colombian and german employees, in sum, it would clarify and simplify the situation so as to give a picture acceptable to everybody concerned.

d) As bonafide owner of Scadta's controlling stock, the relations between PAA and SCADTA would stay entirely what they are now. I believe, our partnership would be even closer, because I would not only carry the responsibility for SCADTA's management, but in addition also the responsibility for my own investment. You wouldn't need

to work with a bunch of unknown and highly unreliable colombian stockholders, but with an individual, whom you had known for 10 years and who has been all the time a loyal partner. In addition, SCADTA would be free from disturbances to be expected if SCADTA controlling stock would be turned over to a bonafide colombian syndicate.

[fol. 2839] (c) You will be at liberty to keep your minority stock, as I wish you would do. On the other hand, if you want to liquidate some of it, it would increase good will in Colombia, if we could add to the number of bonafide colombian shareholders. However small or large your investment in SCADTA might be, you can rest assured, the SCADTA will always be to PAA a valuable, friendly and loyal associate.

I believe this to be an ideal solution. I know of none other, which could meet your and my interest and at the same time overcomes the existing political difficulties. — Please think it over and see, if it fits in your CAA-picture without a big splash of publicity. Primaturely revealed, it would spoil everything. Probably the best explanation to CAA would be to say, that we have decided to liquidate the Scadta-Stock-Syndicate. You may believe me, that it was pretty hard for me, to reach the decision of changing my nationality, but since there is no other way, I am willing to do it, but please, make it otherwise not too expensive for me. — It is most desirable that for the next shareholders meeting in February I could prove ownership of controlling stock by an ownership-certificate issued by the National City Bank and not by a notarial certificate open to suspicions.

I am really sorry, that each of my visits to New York means additional headaches for you, but a lasting solution is unavoidable and very urgent.

Yours very cordially,

S. D. D. B. B. B.

[fol. 2840]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 192

Memorandum of Conference relating to Proposed
Agreement between Pan American Airways
Corporation and W. R. Grace & Company

On February 14, 1939, about 12:30 p.m., a conference was had on the above subject at which the following were present: Mr. Pogue and Mr. Gates of the Civil Aeronautics Authority; Mr. Cogswell of W. R. Grace & Company; Messrs. Trippe and Cooper of Pan American Airways, and Mr. Friendly, Counsel for Pan American Airways.

Mr. Gates opened the meeting by saying that last week Mr. Trippe and Mr. Roig had made known to certain members of the Authority the agreement which Pan American Airways Corporation and W. R. Grace & Company proposed to enter into; that some question had been raised by him to the effect that the agreement seemed to be of the sort which was required to be filed with and approved by the Authority under Section 412 of the Civil Aeronautics Act, but that he had not wished to express any definite opinion upon this subject without hearing from the Counsels for the Companies, who were not present at the meeting in question; and that it was for this reason that the present meeting had been called. He suggested that one of the representatives of the companies outline the nature of the problem.

Mr. Friendly agreed that the general terms of the proposed agreement were as follows: In the first place it was an agreement between the two owners of the stock of Pan American-Grace Airways, acting in their capacity as such and neither of these companies being air carriers. The agreement involved in the first place the election of Mr. Roig as President, of Pan American-Grace Airways, the company, not heretofore having had a president. It involved, secondly, a commitment on the part of Pan American Airways Corporation to cause its subsidiary, Pan American Airways, Inc., to inaugurate promptly a second direct trip between Miami and Cristobal, and thereafter to

maintain an adequate direct service connecting with Pan American-Grace Airways departures from Cristobal. As a penalty for non-compliance with this agreement (in the event that it was decided by Arbitration that there had been such non-compliance, and no compliance was had within such time as the arbitrators might permit), Pan American Airways Corporation agrees that it would cause its representatives on the Board of Pan American-Grace Airways to take such action as would permit Pan American-Grace Airways, assuming that the representatives of Grace & Company on its Board were so advised, to apply to the Civil Aeronautics Authority for a Certificate of Convenience and Necessity to operate directly into the United States provided, however, that Pan American Airways should be entirely free to oppose this application.

Mr. Friendly stated that he was of the opinion that this agreement was not within the provisions of Section 412 of the Civil Aeronautics Act. Certainly the agreement between the two stockholders to elect Mr. Roig as President did not come within the terms of that Section, although, of course, Mr. Roig would have to get permission of the Authority to continue as President of Pan American-Grace just as he now had to get permission to continue as Director of Pan American-Grace. The other part of the agreement did not come within Section 412 in his opinion because it was not an agreement between air carriers and, furthermore, did not [fol. 2841] involve any agreement as to the respective services of more than one air carrier but simply related to the service to be offered by a single air carrier.

Mr. Cogswell expressed his agreement with these views.

Mr. Gates said that the only doubt which he had upon the subject arose from his belief that Pan American Airways Corporation really was an air carrier.

Mr. Friendly stated that he entirely disagreed with any such view; that he thought the record was perfectly clear to the effect that Pan American Airways Corporation was nothing more than a holding company and was not in any way an operating company; but even if Mr. Gates were correct in this assumption, Mr. Friendly's views as to the

question directly at issue would not be changed since, in any event, it was perfectly clear that W. R. Grace & Company was not a carrier.

Mr. Pogue and Mr. Gates then conferred between themselves. After this conference, Mr. Pogue said that he did not quite see how they could be expected to make any pronouncement at this time:

Mr. Friendly said that we were not asking either for an approval for the agreement or for any declaratory ruling that the agreement did not need to be filed; that he and Mr. Cogswell as Counsels to the respective companies were perfectly willing to take the responsibility of advising their clients that the agreement did not need to be filed, but that we were loath to proceed in the face of a positive indication that Counsel for the Authority entertained a different view. Mr. Gates said that after the full discussion of the matter which had been had, he did not wish us to think that he had any positive view that the agreement should be filed; and Mr. Pogue said that although he could not give us any official expression, his opinion was that on the facts stated we were right in thinking that the agreement did not need to be filed.

Dictated by Mr. Henry J. Friendly

February 15, 1939.

[fol. 2842]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 193

Translation

Copy

Confidential

MEMORANDUM

The statement which the Minister of War made to us (to Dr. von Bauer and myself) during the afternoon of the 5th of this month, was, in summary, as follows:

- a) Not only the special geographical situation of Colombia, but recent developments in Europe and their repercussions on the foreign policy of the United States and the

American continent as a whole, impose upon the Government the necessity of effectively ensuring its control over the air transport companies, both for reasons of national sovereignty and because of its obligation to guarantee the peaceful and constantly increasing development of civil aviation companies.

- b) SCADTA is the principal subject of these considerations, not only by reason of its outstanding position and the important services of various kinds which the Company has been rendering to the country, but likewise because the preponderance of German personnel in its organization has aroused serious apprehensions in the people of the United States. And although the naturalization of Dr. von Bauer legally meets the requirements of the law with regard to the nationalization of the Company, and even though the Government has never believed that SCADTA is carrying on, or may in future carry on, activities which might constitute a menace to the so-called "good-neighbour" policy, the Government considers it not only desirable but essential to hasten and bring pressure to bear upon this process of nationalization, in such a manner as to eradicate any suspicions that may be entertained in connection with this situation.
- c) On the other hand, SACO presents special features which must be taken into consideration in order that the solution which the Government is seeking in this situation may be achieved as rapidly as possible. The group at the head of this Company, which is very pertinacious, is endeavoring to have the Government support it more effectively; both financially and with other advantages and special rights, basing its aspirations on the fact that the Government is one of its stockholders and that the Company is a wholly national one. These aims may be brought before the next Congress in the form of proposed bills, which would create a situation that would [fol. 2843] take the matter out of the control of the Government, and provoke debates of a violently nationalistic nature, which, in any event, would be most undesirable.

- d) Under these conditions, the Government believes that it must look for a concrete solution to this problem, and that this solution lies in the merger of the two Companies, under equitable conditions, permitting of the participation of new Colombian stockholders, the Government itself taking a larger share in the stock. The details of operation will be the subject of a careful study made under the direction of the Government. As long a period of time may be taken for the settlement of these details as may be required in an undertaking of this nature, which demands delicate and skillful handling; however, it is necessary that an agreement, in principle, be concluded before July 20th next.

The impression which I, personally, gathered from the interview with the Minister was that the idea was to exert pressure of a sympathetic nature on SCADTA in order to induce the latter to accept the plan of the Government,—pressure motivated on the one hand by the misgivings of the United States with respect to the apparent nationality of the Company, and on the other hand, by the danger that SACO may stir up controversial discussions in Congress, which would impose upon the Government the necessity of making substantial and unfruitful investments, at the same time reviving hectic arguments of a partisan nature, which would be most prejudicial. The pressure would be sympathetic and characterized by goodwill, since the Minister did not hide the fact that the Government has a sympathetic attitude toward SCADTA and that it is the desire of the Government not to allow the negotiations to result in a situation that would be unjustly burdensome for SCADTA. On the contrary, it was evident that it was his intention to ensure for this important national company a stable and prosperous condition, through the authorization to the Company, over a considerable number of years, of the concessions and rights which are enjoyed by SCADTA at the present time.

From the statement made by the Minister, and as a result of my deliberations on the general problem with regard to SCADTA, I have reached the conclusion that the Com-

pany should not hesitate to accept the merger plan, not in a spirit of resignation to an unavoidable evil, but as being probably the best way of consolidating its position and ensuring its future progress.

Bogotá, June 13th, 1939

A. Villegas Restrepo

AVR/Idc G.

[fol. 2844]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 194

[Handwritten notations—J.T.T.—E. E. Young—Brazil Operations Rio Corumba]

TELEPHONE CONVERSATION BETWEEN
MR. LATCHFORD AND MR. YOUNG—
12:30 P.M., JULY 15.

Mr. Latchford of the State Department just phoned me and said that the Department had just received a cable from the American Embassy at Rio to the effect that in view of Condor's application to the Brazilian Government for authorization to operate a second weekly trip on the Rio-Corumba route, Mr. Rice was filing an application with the Government on behalf of Panair do Brasil for authorization to operate a weekly service on that route, and was doing this without awaiting the outcome of the Embassy's negotiations in connection with the Brazilian domestic aviation picture.

Mr. Latchford added that the State Department at once cabled to the Embassy (Ambassador Caffrey) stating that it felt that the action of Panair do Brasil in the matter was precisely the correct one, and to delay the filing of the application might well be fatal, since ~~after~~ if Condor's application for the second weekly frequency was approved, Condor could then xxxxxx energetically oppose Panair do Brasil's application on the ground that with a twice-a-week frequency, a fully adequate service was provided, etc. Mr. Latchford added that the Department's cabled reply to the Embassy also contained a statement to the effect that the New York office of PAA would be verbally advised of the

substance of the Embassy's cable to the Department, and of the Department's reply thereto.

Mr. Latchford concluded by stating that most careful and very sympathetic consideration was being accorded to the matter of "Washington" affording adequate compensation for the proposed Panair do Brasil Rio-Corumba weekly service.

/s/ E. E. Y.

[fol. 2845]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 195

August 7, 1939.

Mr. P. P. von Bauer,
President,
SCADTA,
Barranquilla, Colombia.

Dear Dr. von Bauer:

Personal and Confidential

Just a hasty line today by which to let you know, for your strictly private and confidential information, that we have recently stated to the Department of State, Washington, that from now on no more German employees will be taken on by SCADTA. The Department still seems to be maintaining a rather keen interest in SCADTA and its activities. I know that you will be good enough to govern yourself in accordance with our statement to the Department.

With regard to the purchase of the Soledad property by SCADTA, I have submitted the entire question to Mr. Trippe, with all pertinent information and comment, and expect to have a conference with him in regard to it within the next few days.

With kindest personal regards,

Sincerely yours,

Evan E. Young,
Vice President.

EEY:O'N

[fol. 2846]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 196

[Handwritten notation—Colombia]

September 6, 1939.

President,
Executive,
New York.

Vice President,
Executive,
New York.

SCADTA.

CONFIDENTIAL

Referring to our conversation some time ago regarding Scadta and especially to the request you made at that time that the necessary action be taken by the Scadta Management to assure that in the event of the outbreak of hostilities in Europe, no untoward incident would occur on the part of any of the German employees of that Company, I submit the following report:

At the instance of Scadta, a Presidential Decree, applicable to all Colombian civil aviation operations, was issued, effective September 4. The Decree provides:

1. All public and private airports are placed under the control of the Minister of War. A military detail, consisting of an officer and ten men, has been placed at each airport and operating base where they are to remain on continuous duty.

2. A military officer or civilian employee of the Government is assigned to each airport and operating base as the "Airport Captain" or "Co-Airport Manager." They will be held responsible for the efficient control of all activities at the airports and operating bases, and no aircraft may take off without a "clearance" from them.

3. Colombian military pilots will, in the capacity of co-pilots, be in every plane and make every flight within

Colombian territory, with the exception of flights made by Colombian native-born licensed pilots.

In addition to the control measures embodied in the Decree, and at our instance, the following supplemental action has been taken or is under way:

1. A twenty-four hour watch, to guard against the remote possibility of sabotage of our planes, has been established at the important Soledad and Barranquilla operating bases.

2. An experienced and thoroughly reliable "operating" employee of our Company will be immediately transferred to Colombia with the principal duty of seeing to it that all of the "control" measures are efficiently and effectively carried out.

[fol. 2847] Frank Powers, one of our senior representatives at Rio de Janeiro, has been given this assignment and is now en route to Colombia.

3. The services of the German personnel in the Scadta organization, including pilots, will be dispensed with through retirement, grounding, and leaves of absence as rapidly as may be practicable without disrupting the organization.

4. Scadta will advise the Colombian Government that it is willing to sell to the Government Scadta's airport at Cartagena—the construction of which has been practically completed; this in order that the Colombian Government may, if it so desires, place the airport at the disposal of the United States military authorities in the event of an emergency.

5. The discontinuance by Scadta of its Barranquilla-Turbo service (the nearest operation to the Panama Canal) provided the operation would be taken over by Umea or conducted by a 100 per cent. Colombian entity.

The various measures mentioned above, including those provided for under the Presidential Decree, would appear to be fully adequate for the purpose in question. Moreover, we have the positive and formal assurances of the Scadta

Management, and we may place full credence in them, that no untoward incident on the part of any of the German personnel of that organization will be countenanced or permitted to occur.

Evan E. Young

EEY:O'N

[fol. 2848]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 197

Barranquilla, Colombia
September 28, 1939.

Mr. Evan E. Young, Vice President
Pan American Airways, Inc.,
New York City

Dear Mr. Young:

"Private and Confidential"

I had fully intended, while enroute to Colombia, to get a line off to you shortly after my arrival here, but a rather active program during the past week did not permit.

Arrived on schedule Wednesday, the twentieth, and remained at Barranquilla until Monday morning the twenty-fifth, at which time I proceeded to Bogotá, returning here yesterday afternoon. My impressions gathered during the first week here, listed in order of importance as I see them, are as follows:

SCADTA ORGANIZATION

Mr. von Bauer: It is perhaps unnecessary for me to say that my immediate reaction was most favourable and coincides in all respects with your appraisal of him. He is a capable executive and a gentleman, respected and liked both within the organization and by the community as a whole. He received me most cordially and gave me the better part of his time during my first few days here. Altho it may be a bit premature for me to attempt, at this time, to analyze his reaction as a whole

to my presence here, I am inclined toward the opinion that he feels that it is wholly unnecessary insofar as concerns the operation of the SCADTA organization, and has acquiesced somewhat in deference to the wishes of Pan American Airways and those of the U. S. embassy at Bogota. While he has outwardly exhibited a most cordial attitude in his relations with me; I cannot help but feel that he looks upon me quite as an "outsider" whose presence here is to be countenanced only because of current conditions. I shall have ample opportunity to arrive at a more definite conclusion in this respect in the near future at which time I shall of course inform you in the premises. Altho we have discussed, in a general way, the contemplated consolidation, I have pointed out to him that my mission here is concerned only with the safety of operations insofar as pertains to the carrying out of the precautionary measures with which he is wholly familiar.

Colonel Boy: Appears to be a very serious minded man, quite capable, and "with both feet on the ground". He is genuinely liked and respected by all of the SCADTA personnel and enjoys very friendly relations in business and government circles. My talks with him to date have been extremely formal and, altho his attitude too is one of friendliness, there appear to be indications that his reaction to my mission here is quite similar to that of Mr. von Bauer.

In addition to the above named gentlemen, I have of course also met all "key" personnel, with whom however, I have had no occasion for extended conversation. I might mention here that Doctor von Bauer, at the outset, requested me to confine my inquiries regarding operations, statistical data, etc., to him in the interests of accuracy and in order that I may be assured that such information and figures as may be furnished me are correct. I have accordingly held strictly to his wishes in this respect.

[fol. 2849] OPERATIONS DEPARTMENT: While SCADTA's operations for the past several years might

well be interpreted to indicate a smooth running and efficient organization, their safety measures, when compared with those of Pan American Airways, suffer considerably. In this respect I refer particularly to the lack of emergency fields and adequate direction finding equipment, contact scheduled flying, and marginal single engine performance (Boeings) over mountainous terrain, etc. I am unable to inform you in detail as to any or all of these several points at this time, but should be in a position to do so in the very near future.

FLIGHT PERSONNEL: As you are of course aware, the major portion of the flight group, pilots and co-pilots particularly, is composed of native born Germans who, from a strictly operations viewpoint, have done and are doing an admirable job. They execute their duties in orderly fashion and appear, on the whole, to be a very serious minded group of young men. Most of them are married and raising families here, some of whom have been with the organization for a considerable number of years and own, or are purchasing, their own homes here in Barranquilla. I mention this latter point here, for I feel that it has a definite bearing in considering the status of the individual employee in this category. Unfortunately, from an organization viewpoint, most of these men are at the present time considerably worried as to their status with the Company as a result of the recent dispatches that have appeared in the local press respecting the purported wholesale dismissal of their group. I have discussed this matter at length with Mr. von Bauer and we are in accord that it behooves us to tactfully exert every effort to dispel the idea for, quite obviously, it is an unhealthy condition at best. I am hopeful that, together, we may be enabled to shortly accomplish something toward that end.

U.S. EMBASSY—BOGOTA: Immediately upon arrival at Bogota on Monday, I arranged for an appointment with Ambassador Braden, which was set for three-thirty that afternoon. To say that the reception accorded me was friendly, would be somewhat of an understatement. Mr. Braden somehow seemed to feel that the presence of a Pan American Airways representative here just about settled

all of the worries that have been attendant upon him and his staff in handling the SCADTA personnel problem. Also present at this conference, which lasted approximately two hours, were Mr. Keith and Captain Munn. In the evening I was invited to the Ambassador's home for cocktails where I had the opportunity to meet Colonel Lang and Colonel Buenaventura, the recently appointed Director of Aeronautics, both civil and military, for Colombia, following which I had dinner with Captain and Mrs. Munn.

My general impression of the Ambassador and his staff is that they are, without any trace of doubt, wholly sincere in their handling of the SCADTA "problem." That they have accorded it a disproportionate amount of time and effort is quite evident, but understandable in the light of recent events here with respect to the outward anti-German feeling that exists on all sides in Colombia. I can well appreciate the Ambassador's feeling of responsibility before the American and British business representatives, as well as the British diplomatic group here as a result of their openly expressed views on SCADTA. It is a very much discussed topic as I learned from conversations with several of the American colony at Bogota, two of whom were old personal acquaintances of mine from Puerto Rico.

Insofar as concerns the actual operation of the airline, the Ambassador, as I mentioned previously, feels [fol. 2850] that my presence here relieves him of the flight personnel problem. He is however, very much interested in the contemplated merger of SCADTA and Saco and the new set-up as a whole, and appeared somewhat disappointed to learn that I was not sufficiently familiar with the various phases of negotiations to intelligently discuss the subject in detail. I mentioned that on the occasion of the forth-coming visit of Mr. Grant and either yourself or Mr. Riff, he would no doubt be fully informed as to our plans.

Returning now to the matter of German personnel in SCADTA flight group, I somehow view with less apprehension the potential risk that exists with respect to the Canal

problem, now that I have had occasion to view the local picture. At the outset, the type of flight equipment employed renders the accomplishment of the purported objective quite impossible under adequate surveillance. True, there may possibly be one or more men in the group who might, under certain circumstances, be tempted to undertake the assignment, but the possibilities for success are indeed remote. Entirely apart from that phase of the elimination of the German flight personnel, I would point out that it is quite within the realm of possibility that the question may be brought up in connection with the organizing of the new Company, in which event it would appear advisable to endeavor to work out a plan for their gradual replacement. It is of course unnecessary to point out that, should the United States become involved in the present conflict, a radical change in this respect would immediately become mandatory. Under the circumstances therefore, I suggest the following for your consideration:

It being only reasonable to assume that no sizeable group replacements could possibly be effected on relatively short notice because

(a) the cost involved would render such procedure commercially inexpedient when viewed strictly from a dollars and cents viewpoint

(b) the possible lack of qualified American (or Colombian) senior pilots

(c) The time element involved, which would necessitate detailed familiarization with the routes flown and terrain.

would it not appear more feasible to take on a group of Americans who hold transport pilot rating as co-pilots, for training with the present German senior pilots? Their presence as a member of the crew would accomplish the dual purpose of permitting strict surveillance during flight and at the same time afford the opportunity for familiarization with all routes. Should the removal of certain personnel become necessary, our position would thereby be greatly enhanced in that we

would have American personnel ready for check-out as the occasion arises. This recommendation is of course based on the assumption that the matter of expense is of primary importance, as well as the belief that it would be exceedingly difficult to find experienced American pilots, in what we know as the "Senior" group, might be willing to undertake a foreign assignment at this time even at an attractive financial inducement. On the other hand, it is wholly conceivable that the opportunity for comparatively rapid advancement to Senior Pilot status may be attractive to transport pilots now employed in the category of Junior- or Co-Pilots with American transport companies.

[fol. 2851] I have made no mention of this phase of the subject to Mr. von Bauer, and shall of course refrain from doing so until such time as I may receive your comment and instructions. It may well be, in the event that you concur in this respect, that the matter may be accorded a more cooperative or sympathetic reception by Mr. von Bauer were he to receive a recommendation of this nature direct from you.

There are a number of matters that I have not touched upon here that must necessarily be deferred until such time as I have had occasion to more thoroughly digest the local picture. I do hope however to forward you a full and detailed report in the very near future.

With kindest personal regards,

Most sincerely,

F. POWERS (signed).

2923

[fol. 2852]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 198

November
13
1939

Mr. Thomas Burke
Chief, Division of International Communications
Department of State
Washington, D. C.

Dear Mr. Burke:

For your information I am enclosing herewith a photostat copy of the personnel of Scadta.

With kindest regards, I am

Yours faithfully,

George L. Rihl
Vice President

GLR:FP
Encl.

[fol. 2853]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 199

(Letterhead of Department of State, Washington)

In reply refer to
IX

November 18, 1939

My dear Mr. Rihl:

I wish to thank you for your letter of November 13, 1939, enclosing a photostatic copy of the personnel of Scadta.

This information will be added to the files of the Department of State for future reference.

Sincerely yours,

/s/ THOMAS BURKE

Thomas Burke

Chief, Division of International Communications

Mr. George L. Rihl,
Vice President,
Pan American Airways, Inc.,
Chrysler Building,
New York, New York.

[fol. 2854]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 200

December 16, 1939

Mr. Ellis O. Briggs, Asst. Chief
Division of the American Republics
Department of State
Washington, D. C.

Dear Mr. Briggs:

Enclosed you will find a rough summary of the activities of Pan American since September 1st to date on the Scadta situation.

I am sorry it has taken me so long to gather this information but some of it had to come from out of town and then I could not devote one hundred per cent of my time to it. I am sure that you can realize that many hours can be spent discussing personnel matters. We have a very peculiar problem in that the men who go to Colombia for the most part will not remain there a great length of time due to the nationalization necessary under Colombia laws and doubly so with the government's participation in the re-organized Scadta.

For your information I am in receipt of a wire today from Mr. Corral in answer to one I sent him yesterday that no good would be accomplished towards the reorganization before the first week in January. I am informed that they celebrate in Colombia the Christmas holidays by closing down practically all business. I expect to be in Colombia on January 3rd.

We are proceeding actively in our endeavor to fill the position with Americans from our own organization, who will be able to function under the reorganization.

Very truly yours,

George L. Ruhl
Vice President

[fol. 2855]

December 15, 1939

Memorandum concerning action taken and being taken in Colombia in the Scadta situation

- September 1st: Mr. Grant, a wellknown legal authority on Latin America, went to Colombia to make a preliminary survey of the situation.
- September 5th: Mr. Grant reported to Ambassador Braden.
- September 8th: An interview was arranged between President Santos and Mr. Grant, the substance of which was reported in a memorandum to Ambassador Braden.
- September 9th: A conference was called by the President, to which were invited the Minister of War, Mr. Grant, Colonel Boy, and Mr. Roca Castellanos, Colonel Boy's Assistant in Bogota. The last two mentioned gentlemen are in the services of Scadta. At this meeting the President outlined the general features of his nationalization program. The Minister of War took up the details of the stock participation

of native-born and naturalized Colombians and the Government. The results of this interview were likewise covered in a memorandum by Mr. Grant to Ambassador Braden.

September 10th: Mr. Grant went to Medellin for preliminary negotiations with the Saco company, looking toward the consolidation of that entity with Scadta.

September 11th: Mr. Grant began conferences with representatives of Saco and Scadta on the basis of indications made to Mr. Grant by the President and the Minister of War.

September 13th: Mr. Grant went to Barranquilla.

September 14th: Discussions were held with Messrs. von Bauer and Tietjen regarding legal changes that would be necessary in the original nationalization plan to accommodate the Minister's ideas regarding shares to be held by Colombian interests.

September 15th: Mr. Grant left Barranquilla for New York.

September 17th: Conferences were begun in New York on the results of Mr. Grant's trip to Colombia.

September 20th: Mr. Powers, one of Pan American's most experienced field men, stationed at Rio but summoned to New York for instructions before being transferred temporarily to Colombia, left for Barranquilla, where he is at the present time. Mr. Powers' transfer was made as a result of assurances given to Ambassador Braden by Mr. Grant. Mr. Powers reported to Ambassador Braden in Bogota shortly after his arrival in Colombia.

[fol. 2856]

Week of

September 25th:

Mr. Powers' preliminary report on his observations was received in New York and discussions begun in the New York office of the Company. Due to the legal, financial and political angles involved, the matter was given extensive study.

Week of

October 7th:

Messrs. Trippe and Rihl attended a meeting in Mr. Burke's office in Washington, and the Scadta situation was fully discussed.

October 11th:

Mr. Grant returned to Barranquilla.

October 12th:

Mr. Rihl went to Barranquilla.

October 16th:

Messrs. Grant and Rihl arrived in Bogota and reported to the Ambassador.

October 18th:

Mr. Martin Corral was summoned from Medellin for a conference regarding his accepting the presidency of Scadta. A tentative arrangement was made with him, subject to the approval of the President of Colombia.

October 23rd:

An interview was arranged between the President and Mr. Rihl. At this conference the President outlined his desires in connection with the reorganization of Scadta and the proposed merger of Saco. A full report of this conversation was immediately made to the Ambassador.

October 25th:

Messrs. Rihl and Grant proceeded to Medellin together with Messrs. Corral and von Bauer and representatives of the Government and Saco, to complete a merger agreement with that company.

October 28th: Mr. Rihl departed for the Canal Zone to interview General Stone, leaving Mr. Grant in Colombia to work out legal details concerned with the reorganization of Scadta. General Stone was fully advised of the situation and the conversations between the Ambassador and Mr. Rihl.

October 31st: Mr. Rihl arrived in New York and began making arrangements to get technicians to Colombia.

November 5th: Mr. Leuteritz, Chief Communications Engineer, left for Colombia to begin a survey of the Communications system of Scadta and make a report on changes needed and the cost to complete same.

November 7th: A meeting of the Executive Committee of the Company was held, at which the Scadta situation was thoroughly analyzed. In view of the report made by Mr. Rihl on what had been requested by the Ambassador and required by the President of Colombia, it was decided that it would be impossible for Scadta to carry out such a program without additional financing, and this would not be possible until:

[fol. 2857]

a. A new operating concession and postal contract had been made by the Government which would give the company exemption from taxes, duties, etc., over a long period of time;

b. Execution of a management contract between Scadta and Pan American that would make it possible to comply with the desires of the President and the Ambassador.

- c. Re-form the existing by-laws of Scadta to permit of the control of the company in order to conform with the new laws and desires of the President.

November 8th: Mr. Trippe went to Washington to see the State Department and Civil Aeronautics Authority on the Scadta matter.

November 9th: Mr. Rihl went to see the State Department on the Scadta matter.

November 10th: Mr. Whitney saw the State Department and the Civil Aeronautics Authority on the Scadta situation.

November 14th: An Executive Committee meeting of Pan American was held, and Mr. Rihl was given instructions to proceed to Colombia to work out the details of the necessary agreements to be made with the Government and Scadta.

November 14th: Mr. Rihl left New York for Colombia.

November 17th: Messrs. Rihl, Grant and Mr. Corral, who was summoned from Medellin, agreed to the revisions necessary for the draft of the by-laws that had been prepared in Bogota.

November 21st: Mr. Steele, Assistant to the Chief Engineer, left Miami for Colombia accompanied by Mr. Bond, an operations manager on leave from China, and Mr. Zalduendo, Assistant Traffic Manager of the Eastern Division.

November 21st: Messrs. Rihl, Grant and Corral proceeded to Medellin for further conferences with the Saco interests.

November 26th: Messrs. Rihl, Grant and Corral left for Bogota to confer with necessary government officials and to report to Ambassador Braden.

November 28th: The Minister of War received Messrs. Rihl, Grant, Corral and Cruz Santos, a lawyer representing the Saco interests. At this meeting, the Minister who was representing the President, was handed drafts of the necessary contracts and a general discussion of the important points was held. It was at this meeting the minister stated that by December 15th or 16th the law then pending in Congress would pass and the President would have authority to make contracts that would give the reorganized company sufficient guaranties to permit of its operating on a commercial basis. A full report was made to the Ambassador.

[fol. 2858]

November 29th: Mr. Grant left for New York.

December 2nd: Mr. Rihl went to Barranquilla.

December 7th: Mr. Rihl left for Washington and New York.

December 8th: Messrs. Trippe and Rihl were received at the State Department where a verbal report was made.

Week of

December 11th: Mr. Rihl began assembling data for preparation of the information contained in the present memorandum. Discussions were held and inquiries made regarding personnel that would be willing to go to Colombia.

December 15th: Word was received from Colombia that the law giving the President authority had been passed.

[fol. 2859]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 201,

[Handwritten notation—Scadta merger]

Copy

Bogotá Colombia,
January 18, 1940

Mr. Martín del Corral,
Hotel Granada,
Bogotá, Colombia

Dear Mr. del Corral:

This letter will express in general terms my understanding of the commitments under certain conditions that Pan American Airways, Inc. is willing to take in connection with the operation of Avianca.

We will assume the responsibility for the technical direction of the company, it to be understood that, while such responsibility is ours, Avianca will only employ personnel approved by us that are in any way connected with the operation of the flight equipment of the company. However, the employment or discharge of such personnel will be subject to due advice and consultation with the Management.

In connection with the technical direction of Avianca, Pan American is willing to assume the obligation of directing the training of Colombian personnel that will be capable of taking over the technical operation of the company. It is understood, however, that the Management of Avianca will cooperate with us in such form as we may from time to time request in order that this training may be facilitated and advanced as rapidly as possible within the financial resources of the company. We cannot be held at fault for the delay in training of Colombian personnel if Avianca does not always find it commercially possible to permit of the introduction into the company of such procedure and Colombian personnel as we may indicate.

As I have advised you on various occasions, we do not feel it will be necessary presently to discharge a substan-

tial number of the personnel of the company as now operating in order to comply with the aforementioned commitments. However, it should be understood that the training of Colombian personnel will unavoidably mean substitution over a period of time of a considerable number of the present employees, who may not be considered Colombians by the Government for the air transport industry in Colombia. It must also be remembered that any training program calls for cooperation on the part of the organization as a whole. It is not sufficient to merely have a few instructors, whose principal duty is to teach. If we find among the [fol. 2860] present personnel any resistance to the training program, such elements will, therefore, have to be eliminated.

We will expect, before formally assuming the obligations mentioned herein, to execute a contract with Avianca that will set forth the conditions as to length of our services, the flight and communication equipment that we feel Avianca will have to acquire during the next few years in order that Pan American may feel safe in assuming the responsibility for the nationalization of a company not owned by it, and the remuneration to be received by us for our services. We also feel that before signing the contract we should complete our undertaking to sell to the Government certain of our holdings in Avianca so that it will be, as a major stockholder, a party to the contract.

In order not to delay making the changes which will be necessary to accomplish the program outlined herein, we will assume all necessary responsibility meanwhile the negotiations are under way for the sale of our stock and formal signing of a contract covering the obligations we are undertaking.

Trusting you will find I have correctly stated the substance of our many conversations on these matters, I am

Yours faithfully,

George L. Rihl
Vice President

[fol. 2861]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 202

Translation

Letterhead of the Ministry of War
of the Republic of Colombia

Bogotá

January 23, 1940

Mr. George L. Rihl,
Vice President of Pan American Airways,
City

Esteemed Sir:

The Government has been carefully studying the proposed amended bylaws of Sociedad Colombo-Alemana de Transportes Aéreos (Scadta), which in future will be called Aerovías Nacionales de Colombia (Avianca), and inasmuch as among the provisions of said bylaws there are some which establish the definitive organization of the Board of Directors of the Company when the Government shall have exercised its option to acquire shares to complete 60%. I should be pleased if the stockholders' meeting, to be held today in Barranquilla, should refrain from setting up new situations which might constitute an obstacle for future but immediate negotiations looking towards an agreement on the regulations to govern the future life of the Company, once the Government shall have purchased up to 60% of the shares, and with respect to the course which the Government should adopt, insofar as concerns the procedure for nationalizing the Company. The shareholders' meeting today might confine itself to ratifying the incorporation of Saco into Scadta, to changing the name of the Company, to election of a new President and to the calling of a later meeting to be devoted to deciding upon the other measures which have been contemplated up to the present time. In the meanwhile, the Government would have opportunity clearly to agree with the interested parties upon its course of conduct in respect of the questions above mentioned, and this would undoubtedly be of

great convenience to the shareholders of the Company and naturally to the Government itself.

With sentiments of distinguished consideration, I remain,

Very truly yours,

(sgd.) José Joaquín Castro M.
Minister of War

[fol. 28624]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 203

Barranquilla, Col.,
January 25, 1940

Mr. Juan T. Trippe, President,
Pan American Airways, Inc.,
Chrysler Building,
New York, N. Y.

Dear Mr. Trippe:

I wish to herewith confirm my statement to you over the 'phone today that I have kept the Ambassador fully informed as to my actions since my arrival in Colombia. As far as I know, the Ambassador is in agreement with my course of action, though, naturally, he is disappointed that I have not been able to move more rapidly. I feel that he would have told me had he thought that I had been dilatory in any way.

At your request, I will try to give you a summary of what has occurred since my arrival and what is being planned. You will please understand that in none of my dealings with either the Government or the Seadta officials have I in any way referred to the Embassy. Even in my talks with Mr. Corral I have taken the attitude that what we had to be done was dictated by our interpretation of what the Government desired in the way of nationalization and our becoming responsible for the operation of the Company.

January 2nd. I arrived in Barranquilla and saw von Bauer, who told me as a matter of interest that Colonel Boy had been advised by the President not to make any further move regarding sep-

arating from Seadta. According to v.B., the President stated that he would give Boy his orders as his superior officer (Boy is a Colonel in the Colombian Army) as to what part he wanted him to play in Avianca. I advised Corral that I had to go to Bogotá the following day, which was in accordance with my instructions. Corral was advised that if he got the opportunity he should impress on the President that Avianca would need the full backing of the Government in making the German element in Seadta fulfil their obligations as employees. The President and the Minister of War were in Barranquilla when I arrived. [fol. 2863]

January 4th. Went to Bogotá and reported to the Ambassador. I told him what v.B. had said about Boy. The Ambassador felt that we should accept Boy's resignation, and I agreed to it. The Ambassador drew up a memorandum of what was to be done, copy of which you have.

January 5th. Returned to Barranquilla and found Johnston, Morrison and Titus there. Went over with Grant, Corral and Morrison manner of handling stock in Avianca deal.

January 6th. Spent entire morning in Seadta office discussing holding of stockholders' meeting and status of Saco liquidation. No decision made on meeting, as we had not sufficient information from Medellín regarding Saco deal. Had long discussion with v.B., in which he was advised that he could not hold a position in the Company or on the Board. Received word from New York to send Morrison back to Mexico immediately, but was advised that Rice would come down the following week. Sent estimates to New York on expenses of men to be sent down, the Seadta personnel to be let out and new equipment needed.

January 8th. Worked with Corral and Grant all day on Agenda for stockholders' meeting. Made up certain transitory clauses for the bylaws. Long talk with v.B. Found him bitter and ready to fight adoption of bylaws that kept naturalized Colombians from receiving equal

treatment with native-born citizens. Advised Morris did not know when would sign up with Government.

January 9th. Reported to New York by 'phone on the situation. Went over financial matters at the Seadta office with Tietjen and Johnston.

January 10th. Talked with Trippe over the 'phone in Washington, who had not received my estimates, which were taken by Morrison to be mailed. Saw J.B. and Tietjen in the afternoon, the former stating he would not resign until arrangements had been made with him. He again mentioned matter of not being represented on the Board, and the fact that he would own 10% of the Company.

[fol. 2864]

January 11th. Tried to contact Ambassador in Medellin but without success. Told J.B. that we were not interested in whether Board of Directors approved our actions or not, and that stockholders' meeting would be held the following Wednesday. Also told him that I thought he was making a mistake in not being willing to resign. Had long talk with Rice on situation, and decided he should go back to Rio the following week so that he could return to Colombia as soon as possible.

Contacted Ambassador by 'phone in the evening and advised him what had been done. He stated over 'phone that he thought Boy could be kept if he was taken out of all operating control and given the job of convincing the Colombian public that native Colombians would make good pilots if given proper training.

January 12th. Talked with Tietjen in morning and Corral after lunch, who reported to me his conversation with the President and the Minister of War. Apparently the President very much disturbed over learning changes we were expecting to make.

Talked with Fendell, who had come down from Bogota to see me about starting Public Relations Department. Fendell highly recommended by the Ambassador as standing in very well with all newspapers.

Saw the President in the evening for a few minutes and made engagement to see him Saturday evening late; to go into Scadta matters.

January 13th. Went through Scadta plant with President, Scadta representatives and other officials. Kuehl was guide. In the evening went into the Public Relations question very extensively with Rice and Fendell.

President sent for Rice at 7.30 and talked with him for an hour and a half about aviation in Colombia and Brazil. Corral was present and told me that Rice made a good impression. I saw the President from 9.30 until 11.15. The President obviously very much worried about our taking over management of Scadta, as he was greatly impressed by German influence noted on his trip through the plant. He asked me to go to Bogotá with Corral and have dinner with him the following week, before making final decision as to the changes that had to be made in Scadta.

[fol. 2865]

January 14th. Saw Corral and advised him that had agreed to go to Bogotá to see the President before taking final steps and taking over. I could not reach the Ambassador, but the Consul did later in the day. Corral worried over the President's attitude.

January 15th. Started checking and analyzing Scadta payroll to ascertain ratio of number of Germans as compared to natives, and amounts paid respective classifications. Had talk with v.B. and Kuehl. Told Kuehl he would have to go. Wanted him to understand this fully, as he had been called to Bogotá to see the President for the following day. Kuehl refuses to resign as he feels confident President will insist that he be kept. Made no definite arrangement with Fendell, as do not feel he would be a good man in the long run for the Company. He is not a prepossessing type.

January 16th. Talked with Mr. Trippe, but difficult to explain situation, particularly as connection was not good. Discussed with v.B., Tietjen and Grant

Directors' and stockholders' meetings for following week. Received word from Corral that President had postponed meeting until Thursday night.

January 17th. Talked with Mr. Trippe just before leaving for Bogotá regarding price I was to ask for stock that we were to sell the Government. I was told that I was to only ask a price that would get us out without loss, which would be \$53, U.S. currency per share. On arriving in Bogotá called at Embassy and talked with Keith and Wright. Saw Corral before he went to see the President. He wanted to be assured that PAA would co-operate in every way with Avianca.

January 18th. Discussed what Corral was to say to President at lunch that day; also discussed with him and Gabriel Calle a Mr. Echeverría, at present with American Foreign Power in Barranquilla, as a possible candidate for manager of Avianca. Saw Corral after his talk with President and reported same to Messrs. Keith and Wright.

Talked from Embassy with Mr. Trippe on 'phone, and reported situation. Dictated letters to Corral and the Ambassador, copies of which are attached. Did not send letter to the Ambassador, as talked to him afterward on the 'phone in Medellín. The Ambassador stated that he would not object if the President insisted on Selbststaadt being kept, and agreed to his being given some position on the ground or some work where he did not handle [fol. 2866] operations. Had dinner with the President, the Minister of War and Corral, but no decision was reached as to the handling of the Scadta situation. The President very insistent that only minor changes be made in the present organization, which I could not agree to, as we felt that it was absolutely necessary that all heads of departments and key operating men be either Colombians or Americans. The President stated he would see us the following day.

January 19th. Member of the President's family died and so he called Corral to advise that he could not see us both, but would see him some

time during the day. Reported to Embassy the status of the situation as it existed at that time, going into detail as to what had been discussed at dinner the night before. Helped prepare wire to State Department.

Talked with Mr. Trippe and Grant in Barranquilla about contract for sale of our stock. Went to Embassy in the afternoon and arranged to see Ambassador Sunday morning or, if possible, Sunday afternoon.

Corral saw the President and later explained to Odoño, Calle and me what had been said. Mr. Odoño is a member of the Board of Directors of Saco and a great personal friend of Cortal's, as is Mr. Calle, who is also a Director of Seadta. Corral asked their opinion on what the President had said. They both agreed that either PAA take control of operations or they don't, as it would be utterly impossible to follow the President's suggestion that the management be continued as at present in Seadta, with the addition of one or two Americans.

January 20th. Talked with Corral over memo that President had given him the day before, copy of which is attached. Talked with Grant in Barranquilla about changes in bylaws and arranged for Mr. Echeverria to go to Bogota Sunday, which he did not do because he could get no space on the plane.

Reported to the Embassy in the afternoon, where I had copies made of the President's memorandum. Discussed with our lawyer, Uribe-Holguin, legal matters regarding Saco and Cesantia Law. Had dinner with President, Minister of Hacienda and Corral. Arrived at no decision as the President was still insisting on no contract being made with PAA for management. He was most insistent that very few Germans be let out. He stated that most of them had been in the country many years and could be of great assistance in the operation of the Company. He made it very plain, however, that he wanted the cooperation of PAA and American interests in general. It was very clear that the President was trying to follow a middle of the road course, his policy being dictated by local politics.

[fol. 2867]

January 21st. Went to see the Ambassador at 4 p.m., who had returned that day from Medellín. Expected to be called by the President to continue the conversation of the night before, but the call did not materialize. Explained what had occurred the night before. Corral, Odoño and Calle came out to the Ambassador's house to make a courtesy call, and Corral advised that the President had just told him he wanted to see the three of them and Dr. Cruz Santos on Monday morning. I was not invited, but it meant I had to stay in Bogotá. Corral stated that night that he would have a showdown with the President in the morning.

January 22nd. After seeing the President in the morning, Corral advised me that nothing had been accomplished, but they were to see the President again at 5.30. I reported to the Ambassador in the afternoon and he prepared a wire for Washington. I saw Corral, Odoño, Calle and Cruz Santos about 9 p.m. They gave me a letter from the Minister of War, asking that we do certain things at the stockholders' meeting on Tuesday. Copy of this letter is attached. I advised that we would not confirm Saco deal as basis of that deal was that Government would give new contract to Avianca.

Advised the Ambassador at 11 p.m. new turn deal had taken, and I believe he countermanded sending the wire that he had prepared earlier. President had evidently mentioned the possibility of Government buying our entire interest, which Corral did not like, stating that if that happened, he would have nothing to do with the Company.

January 23rd. Went to see the Ambassador before leaving for Barranquilla to advise him more in detail what had happened the night before. Arrived at Barranquilla and went immediately to see Kuehl to ask him if he would not resign, which he refused to do unless he were given guarantee that resignation would not prejudice his cesantia (legal accrued compensation on discharge) and unless he got orders from the President. I did not feel as if I should fire him at the meeting as I was not sure that the President would consent

to his being discharged. It must be realized that while Seadta is a commercial company, it is entirely dependent on the President's willingness to give it a concession that will permit the Company to continue to operate on a favorable basis.

At the stockholders' meeting v.B.'s resignation was accepted, the name of the Company was changed and the ratification of the Saco deal was postponed for another stockholders' meeting. No President was elected, as Corral [fol. 286] had advised me in the morning that he would not accept until it was clearly defined as to whether PAA was to be responsible for the technical management of the Company and the extent to which the Government expected to take part in the management of the Company.

January 24th. Discussed with Kuehl letter that he was to write the President, offering to resign. Could come to no agreement with him because of the cesantia he wanted. Apparently this matter will have to be left up to the Labor Board to decide, as there seems to be considerable difference of opinion as to the interpretation of the law.

Talked with Echeverria who seemed to be a very intelligent man, with a background that should make him valuable to the Company. He is interested in the position, though no salary was talked, but he stated that he would not accept a connection if the Government had any active part in the management of the Company.

Talked to Schmirbusch about accepting an advisory position with the Company, which has the approval of the Ambassador. He promised to take the matter under consideration.

January 25th. Talked with Mr. Trippe, explaining how matters stood. He was assured that the Ambassador had been advised of the latest developments, and as far as I knew felt that everything was being done that could be done under the circumstances. It was explained that the ten days' delay seemed unavoidable, again taking into consideration that without a con-

tract, it would simply be impossible to justify any extraordinary expenses that may be required in order to try to nationalize the Company and thereby conform to the law.

Talked to Corral, who expected to see the President later. Saw Schnurbusch, who agreed to accept a position as adviser, but on the condition that his cesantia be liquidated at the present time. As we precisely want to avoid paying the cesantia at the present moment, do not feel that much progress was made with him.

Received call from Corral, in which he advised that he had had a very satisfactory interview with the President, who had made up his mind that it was not feasible to have German and American influence in the management, and that therefore he had decided that the Company could make a contract with PAA. Advised the American Consul at Barranquilla immediately, for transmission by secret code to the Ambassador. Corral asked that when I went to Bogotá I be prepared to quote a final figure as a fee for PAA's services. I called Mr. Trippe and reported the latest developments. He felt that 2% of gross was the [fol. 2869] minimum and that we could charge that amount only because of the fact that the Government was willing to grant an unusually favorable concession, and we wanted to show our cooperation. A 2% fee is certainly not unreasonable, though I expect to find a great deal of resistance, as the Government feels that the mere fact that we will have control over the operations should mean a lot to PAA.

I will leave for Bogotá on Sunday morning with an operating contract and concession already prepared. I hope to come to an agreement on all points next week, but it will be unusual to be able to conclude two such important documents as an operating concession and a contract for the sale of stock to the Government in that length of time.

With kindest regards, I am

Yours faithfully,

George L. Rühl

GLR:rls
enclosures

[fol. 2870]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 204

January 29, 1940

In order to confirm my recollection of the discussion with officials concerned in Washington some ten years ago when the arrangement with von Bauer was negotiated, I arranged a luncheon appointment today with Mr. Francis White, formerly Assistant Secretary of State. Mr. White not only confirmed the fact that he was familiar with our purchase of the majority of Scadta shares through Dr. von Bauer, but also stated he had been officially told at the time by the Minister from Colombia that no agreement was possible either with Pan American or the United States Government to fly through Colombia until an arrangement satisfactory to Scadta and Dr. von Bauer had been concluded.

He pointed out that Olaya had advised him that Scadta stood very well in Colombia. It had done a grand transportation job for the country. Notwithstanding Austrian stock interest it was considered a Colombian enterprise, and Dr. von Bauer was considered as speaking for Colombia, he in fact having been nominated as one of the two official delegates representing Colombia at the Havana Air Convention in 1928, where our Government was represented by Charles Hughes, Henry Fletcher, Francis White and others. Mr. White stated that the Colombian Minister, Dr. Olaya, had invited him to luncheon at his house to meet von Bauer in order to attempt to arrange landing rights for Scadta in the Canal Zone. Mr. White told me the technical regulations for flying into the Zone had been somewhat slowly prepared by the War Department following the Havana Convention, and also lay on his desk for a long time before promulgation by the Government of the Canal Zone. Mr. White further stated that this delay extended beyond the effective date of the Kellogg-Olaya Treaty. Also he recalled a date on which one of Scadta's key concessions would lapse due to the company's inability to fly through the Canal Zone. Mr. White reaffirmed from

recollection that a violent anti American campaign had been instituted by Scadta prior to the arrangement between von Bauer and Pan American and this was causing our Government much concern. He agreed also that a realistic approach to the problem of extending American air lines down the west coast of South America required an arrangement with von Bauer, and that at the time the concern of the War Department had had to do with the possibility of German pilots actually flying over the Canal Zone and not over Colombia as he had understood.

(The Kellogg-Olaya Treaty granted and still grants Scadta permission to fly in the Canal Zone proper and to the United States although Scadta had tried for years to obtain permission to fly to the Zone for commercial traffic connections. Following the transfer of stock from the von Bauer group to Pan American, Scadta shortly withdrew its service from the Canal Zone and no further effort was made to extend through there or to the United States.)

[fol. 2871] Another senior official with whom this Scadta problem was discussed in its initial stages, due to its extension of air mail service down the west coast, was Postmaster General New. No doubt Post Office Department files relating to this period will disclose most of the position.

In its proposal to the Postmaster General to transport mail on the west coast route (F.A.M. 9) Pan American-Grace Airways included an agreement between Pan American and Scadta whereby Pan American had exclusive rights to use the Scadta bases along the west coast of South America. This proposal was submitted only a short time after the arrangement with von Bauer and the enactment of the Kellogg-Olaya Treaty.

J. T. Trippe

[fol. 2872]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 205

PAN AMERICAN AIRWAYS, INC.

MINUTES OF REGULAR MEETING OF EXECUTIVE
COMMITTEE — MAY 14, 1940

The President reported briefly on progress of the program which was currently being carried out in Colombia at the request of the American Ambassador and high officials of the State and War Departments concerned. He stated that 22 Americans designated by Pan American were already in Colombia, including officials serving as General Manager, Assistant to General Manager, Operations Manager, Maintenance Engineer, Chief Pilot, and Communications Superintendent; also that this group included five American pilots, and that three additional American pilots were scheduled to arrive in Colombia within the next thirty days. He said that One Pan American long range Adcock direction finder had already been calibrated and was in operation at Baranquilla, and that substantial progress had been made in erecting two other direction finders. Mr. Trippe pointed out that with the arrival of the remaining American pilots above referred to and the placing in operation of the remaining two ground direction finders, the program requested of Pan American by United States officials as being in the public interest and required in connection with the defense of the Canal and which had been agreed to by Pan American will have been completed. The actual cost to Pan American Airways, Inc., he further stated, will have closely approximated the sum of \$50,000, excluding equipment transferred not required for the commercial operation of the service, for which Seadta will be billed only a nominal amount.

Mr. Trippe also reported on a conference which had been held with Ambassador Braden that morning at the request of the Department of State. There were present in addition to Ambassador Braden and Mr. Trippe, Mr. Thomas Burke, Chief of the Division of Inter-American Communications of the Department of State, Mr. Thomas Morgan, Chairman

of the Executive Committee, and Vice-President George L. Rihl. Mr. Trippe stated that he had submitted at the conference the outline of a program which he referred to as Plan B. This plan would provide for the simultaneous separation from the Scadta service of the following technical employees:

- 14 pilots
- 12 flight mechanic radio operators
- 42 mechanics
- 10 airport managers
- 7 radio men

He pointed out that the date of separation would be approximately thirty days following the date on which Plan B would be placed into effect. He stated that he had pointed out to Ambassador Braden and Mr. Burke at the conference that Pan American had drawn up Plan B on the assumption that current developments in Europe might require, in the opinion of the United States Government officials concerned, a more far-reaching program than that covered by Plan A, currently being carried out.

Mr. Trippe reported that Ambassador Braden and Mr. Burke had stated at the conference that the Department of State and other Government agencies concerned felt that [fol. 2874] a program looking towards the early separation from the active service of Scadta of all European technical personnel was required and would be in the public interests and necessary in connection with further plans having to do with the defense of the Canal. The Ambassador indicated, however, that some difficulty might be expected were all technical personnel who had been in Scadta service more than five years separated or discharged without the approval in advance of the President of Colombia. The Ambassador referred to conversations that had been had in Colombia with the President and the Minister of War both by himself and by Mr. Rihl. He inquired whether it might be possible to amend the plan outlined by Mr. Trippe so as to place, if required, these older employees in a retired status but continuing them in Scadta's employ.

Mr. Morgan stated at the conference that he was in general in full accord with the program and that he would favor the change suggested by the Ambassador in the event the necessary permission from the President of Colombia was not forthcoming. The Ambassador stated that he would take the matter up with the President of Colombia through the Embassy and would shortly be prepared to advise Messrs. Trippe and Rihl whether or not the President of Colombia would interpose objection to the simultaneous separation of all European personnel, including personnel of European origin now in Scadta service, but expressed the hope that there would be no delay in Pan American's undertaking to proceed with this program.

[fol. 2875] Mr. Trippe then explained that although Pan American controlled Scadta there was an appreciable Colombian minority interest that would undoubtedly object to the management assuming the costs mandatory under Colombian law in discharging employees, when such action was not commercially justifiable and which would seriously affect the company's financial position. It was therefore evident that the minority interest would have a perfectly valid claim against Pan American unless these costs could be absorbed in some way by Pan American. Mr. Burke stated that the Department would be glad to submit a confidential letter to the Civil Aeronautics Authority setting forth that the expenses to be incurred by Pan American, which Mr. Trippe had estimated to be an additional \$250,000, would be in the public interest and required in the interest of the national defense of the United States, and that appropriate consideration should be given such an expenditure in connection with future rate cases.

Mr. Trippe reported that the conference with the Ambassador and Mr. Burke had adjourned after his agreement that he would recommend to his Board that Pan American Airways be authorized to proceed with the program on request by the Government officials concerned.

Thereupon, Mr. Morgan presented his views, outlining the desirability of immediate action being taken by the

Executive Committee. After general discussion, it was proposed, seconded and unanimously carried that an appropriation of \$250,000 be authorized to cover the expenses to [fol. 2876] be incurred by Pan American in connection with Plan B, in addition to the \$50,000 previously authorized for Plan A.

[fol. 2877]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 206

PAN AMERICAN AIRWAYS, INC.

MINUTES OF REGULAR MEETING OF EXECUTIVE COMMITTEE — MAY 24, 1940

Mr. Trippe reported to the meeting on the status of the program for the nationalization of the Colombian service. He stated that the President of Colombia had given permission for the separation from the active service of Scadta of all European technical personnel, and that the discussion which was held at the last meeting of the Executive Committee had been approved by the United States Department of State.

[fol. 2873]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 207

PAN AMERICAN AIRWAYS, INC.

MINUTES OF REGULAR MEETING OF EXECUTIVE COMMITTEE — MAY 28, 1940

The meeting considered a report by Mr. Trippe on the progress of reorganization Plan B relating to the realization of the Colombian service. He stated that at a meeting held in Washington last week, which was attended by representatives of the Navy Department and the Department of State, such program had been completely endorsed and that data relating to the expenditures made by the Company in connection with carrying out such program would be available for consideration in connection with future rate cases.

[fol. 2879]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 208

Barranquilla, Colombia
June 8, 1940Mr. J. T. Trippe, President
Pan American Airways Corporation
Chrysler Building
New York, N. Y.

Dear Mr. Trippe:

In accordance with various resolutions promulgated by the Stockholders' meeting of the SCADTA on Saturday, June 8th, this company will henceforth be known as AEROLIAS NACIONALES DE COLOMBIA, S. A. (AVIANCA). The cable address of the new company will be "AVIANCA" at all points in Colombia.

While you will of course receive official copies of the minutes and resolutions of the meeting referred to above, through the conventional channels, it is the purpose of this letter merely to inform you promptly of the change of name of the company, in order that notification of all offices of Pan American Airways may be facilitated.

Very truly yours,

/s/ M. J. Rice
M. J. Rice

Vice President and General Manager

MJR/en

cc Vice Pres Ruhl, PAA-Bogotá

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 209

Memorandum of Conference with the Civil
Aeronautics Authority Reference Scadta

On Thursday, June 13, 1940, Mr. Trippe, accompanied by Mr. Cooper, appeared before the Civil Aeronautics Authority.

There were present Vice Chairman Branch and Mr. Ryan of the Civil Aeronautics Authority, also Mr. Pogue, General Counsel, and Mr. Gates, Chief of the International Division.

Mr. Trippe stated: that he wished to advise the Members of the Authority of the Scadta situation and the developments leading up to the present position—that he had not previously done so because of the request of the State Department and recent developments and plans be kept absolutely confidential and not discussed with other agencies until arrangements for installing complete American management and personnel in place of former German management and personnel had been put into effect, that this secrecy was deemed necessary as any preliminary publicity might have given rise to sabotage.

Mr. Trippe described briefly the circumstances leading up to the purchase by Pan American Airways of a majority interest in Scadta—the arrangements under which former management and personnel had been allowed to continue—the opportunity which Pan American Airways had been offered by Dr. Von Bauer in 1938 to resell to him (or to persons whom he represented) the entire Pan American Airways interest without loss—that Pan American Airways had refused to make this sale because of its feeling that the sale would be inconsistent with the best interests of the American position in South America—that this offer and the apparent ability of Dr. Von Bauer to finance the resale was the first occasion on which Mr. Trippe and other Pan American officials who had dealt with the Scadta situation [fol. 2881] had become suspicious of Dr. Von Bauer's motives.

Chairman Hinckley of the Civil Aeronautics Authority joined the meeting and the discussion continued in executive session after the withdrawal of Mr. Pogue and Mr. Gates.

Mr. Trippe then described representations made to Pan American Airways in 1939 by the State Department, Ambassador Braden, and the War Department, insisting that the defense of the Canal Zone required elimination of German management and personnel from the Scadta organization, and the request that Pan American Airways arrange promptly for such elimination as a matter of national defense—that "Plan A" was adopted, as a result of these representations. Under this Plan, Pan American Airways, in the latter part of 1939, installed complete Pan American management for Scadta, installed direction finders to keep check on the movements of Scadta planes, and proceeded with a gradual plan of substitution of German flight and ground personnel, explaining that the Colombian Government up to that time had been unwilling to allow the discharge of Scadta personnel who had been in service for over five years.

Mr. Trippe then described the later conferences in the early part of 1940 with officials of the State and War Departments who insisted that the complete exchange of personnel must be made without delay in aid of the national defense—that as a result Plan B was agreed upon—that under this Plan secret arrangements were made to fly into Colombia sufficient American personnel to take the place of all German flight and ground personnel still employed by Scadta—that due to the situation in Europe the Colombian Government had finally and very recently indicated that it would make no objection—that on the day prior to the conference the Plan had been put into effect, all services for Scadta had been suspended for two days, and that on [fol. 2882] the day following, services would be resumed using new American personnel only.

He further explained that Colombian labor laws required that large payments be made to discharged Scadta personnel—that it would be necessary for Pan American

Airways to bear this expense in addition to its own direct expenses in sending its personnel to Colombia to take over the Scadta management—that the total of these direct non-recurring capital outlays by Pan American Airways would aggregate over \$400,000—that, in addition, the higher salaries to be paid American personnel would add to the operating costs of Scadta about \$150,000, making a total outlay which Pan American Airways would incur, of between \$500,000 and \$600,000 by the middle of 1941, all of which had and would be spent as a national defense requirement and not as a result of commercial requirements.

The Authority then discussed with Mr. Trippe the manner in which Pan American Airways could be reimbursed for these national defense outlays, stating that no method existed under which the Authority could repay the non-recurring capital disbursements—that the additional operating costs of Scadta after 1941 might possibly be taken into consideration in fixing Pan American Airways rates in the Latin American services under an inter-company agreement between Pan American Airways and Scadta—that, however, all expenses incurred by Pan American Airways in aid of the national defense ought to be repaid to Pan American Airways by agencies or departments other than the Authority.

It is hoped and expected that Scadta as thus reorganized under American management will be designated as the Colombian National Company.

Thereupon the meeting adjourned.

Vol. 28831

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 210

PAN AMERICAN AIRWAYS, INC.

MINUTES OF ADJOURNED REGULAR MEETING OF
EXECUTIVE COMMITTEE
NOVEMBER 12, 1940
* * * * *

Mr. Tripp reported that acting under instructions from the Committee he had phoned Mr. Evan E. Young at Barranquilla on November 7th and November 8th. Mr. Young had requested Dr. Corral to furnish him with assurance that all twenty-eight of the remaining German or Colombian naturalized German employees of Avianca would be released during the ensuing six weeks' period. Dr. Corral had advised him that he did not consider such action could be carried out without considerable risk to Avianca and furthermore that such action in such short time would be considered a second "blitzkrieg" in Colombia and would bring about further political complications embarrassing to the company and the President of Colombia. Dr. Corral stated to Mr. Young he would immediately call on the President of Colombia at Bogota and confer with him as to whether he would approve the six weeks separation period. Dr. Corral advised Mr. Young that on his return from Bogota after seeing the President he would be prepared to state to Mr. Young whether he would carry on as Avianca's chief executive or resign. It requested to furnish the above mentioned assurance.

Mr. Tripp stated he expected to receive word from Mr. Young as to the matter during the week of November 11th. Mr. Tripp also reported to the Committee that he had outlined the position to Under Secretary Welles during an interview at the State Department on the afternoon of November 8th and that Mr. Welles had stated that he would send instructions to Ambassador Braden to intercede with the President of Colombia in an effort to secure his acquiescence in obtaining the approval of the program to be presented to him by Dr. Corral.

[fol. 2884]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 211

PAN AMERICAN AIRWAYS, INC.

MINUTES OF REGULAR MEETING OF EXECUTIVE
COMMITTEE
NOVEMBER 19, 1940.

. . . .

Mr. Trippe thereupon reported to the meeting upon the inspection trip to Colombia made by Mr. Evan E. Young, a senior Vice-President of the Company, and also upon a supplemental conference which had been held with Acting Secretary Welles.

Mr. Trippe said that he had stated to Acting Secretary Welles that the Company would eliminate all of the remaining twenty-eight German and Colombian naturalized German employees of Avianca if Secretary Welles thought such action necessary. It was the sense of the meeting that the Company was prepared to continue to do everything possible requested by the State Department in carrying out the program for the release of all of such employees of Avianca, regardless of whether Dr. Corral would be willing to continue as Avianca's Chief Executive.

[fol. 2885]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 212

July

10

1941

[Handwritten notation—Brazil operations—Curumba]

*Memorandum of telephone conversation between
Messrs. Ruhl and Harding today, July 10th*

I called Mr. Harding to advise him that Mr. Young had just talked with Mr. Rice in Rio, who told him that the Condor was applying for a second schedule to Curumba. Mr. Rice stated that while the starting of a second service

by Condor might not eliminate Panair do Brasil from that run, yet it would make it difficult, particularly in view of the necessity of coordinating the schedules with Panagra. The Government could also take the position that the route was sufficiently served by a twice a week service.

Mr. Rice stated that Mr. Burden was very much concerned over the situation, and so Mr. Rice recommended to Mr. Young that he be given permission to take the necessary steps to have Panair do Brasil open the service immediately. I told Mr. Harding that Mr. Young had given the necessary authority and that the service would be opened at once, unless for some unforeseen reason Mr. Tripp, who was absent, objected. Mr. Harding wanted to know if we had enough load-stars to carry on the service and I told him we did, certainly for the time being. I also told Mr. Harding that as urgent action seemed to be necessary we were foregoing a commitment on the part of Washington regarding the expenses, but that we would expect Washington to take care of the cost in some way. Mr. Harding stated that they would use their best efforts to see that we were compensated, and seemed extremely appreciative of our action.

Mr. Harding, in a joking manner, stated he had heard there was a lot of traffic on that run.

G.L.R.

[fol. 2886]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 213

PAA MEMORANDUM FORM

		DATE	July 15, 1941
TO	President	FROM	Vice President
DEPT.		DEPT.	
OR DIV.	Executive	OR DIV.	Executive
LOCATION	New York	LOCATION	New York

SUBJECT:

Suggested Panair do Brasil Rio-Corumba Service.

REFERENCE:

As you of course know, Pan American-Grace Airways recently inaugurated a service from the Pacific Coast, via LaPaz, to Puerto Suarez, near the Brazilian border, and is currently planning to extend this service to Corumba, on the Brazilian side of the border.

CONDOR, the wholly owned German national company, now operates a subsidized service on a once-a-week frequency between Rio and Corumba. It recently applied to the Brazilian Government for permission to increase the frequency to twice-a-week.

As the situation now stands, CONDOR would be the only connecting carrier (Corumba) with Pan American-Grace Airways, and this end-on connection would of course strengthen CONDOR's position not only as regards this particular line, but also its position in general in Brazil.

In view of the foregoing, I recently telegraphically exchanged comment with our senior representatives at Rio de Janeiro with regard to the practicability of Panair do Brasil, our Brazilian national company, operating a service between Rio and Corumba, on a once-a-week frequency.

There is attached a copy of my most recent telegraphic report from our Rio office. You will note the comment therein respecting the importance of the suggested operation in connection with the "de-Germanizing" of Brazilian domestic aviation. Also, the comment to the effect that if the service is to be operated, Pan American Airways should be prepared to guarantee a suitable return on the capital investments and operating costs involved.

I fully concur in Panair do Brasil's statement that if it is to undertake this service we should be prepared to guarantee a suitable return, for instance 10%, and I advance the suggestion for your consideration that if the U.S. Post Office Department would accord mileage pay to Pan American Airways for the presently unpaid-for fourth trip (Rio-Porto Alegre-Buenos Aires sector) at the rate of \$1.80 southbound and \$1.00 northbound, our company would then [fol. 2887] be in a position to accord the guarantee to Panair do Brasil, as set forth in their telegram. This non-paid-for fourth trip between Rio and Buenos Aires via Porto Alegre, was inaugurated December 17th last, and has been operated continuously since then. The matter is both an important and an urgent one. The Brazilian operating rights for Pan American/Grace Airways to extend to Corumbá are expected daily, and unless we are to see CONDOR reap a substantial benefit from the Pan-Grace situation in Brazil, prompt action would appear to be required. It is earnestly recommended that Panair do Brasil receive the fullest support from our company in connection with a Rio-Corumbá service, if Washington can make it possible for us to accord such assistance.

There is attached hereto brief factual data regarding the route under discussion, together with a rough sketch map.

/s/ EVAN E. YOUNG
Evan E. Young

2958

[fol. 2888]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 214

C
O
P
Y

JULY 15, 1941

PAN AIR
YOUNG
NEW YORK

NO. 380. REPLYING YOUR 295 THE ESTABLISHMENT OF PROPOSED SERVICE WE REGARD AS IMPORTANT ESPECIALLY IN CONNECTION WITH THE DESIRED DE-GERMANIZING QUESTION BECAUSE THE SERVICE ON THE PROPOSED ROUTE WOULD PARALLEL CONDOR'S SUBSIDIZED SERVICE AND AS HAS BEEN REPORTED CONDOR HAS NOW APPLIED FOR SECOND WEEKLY FREQUENCY STOP WE FEEL THAT PAN AMERICAN AIRWAYS SHOULD BE PREPARED TO GUARANTEE A TEN PERCENT RETURN UPON TOTAL COST OF ORGANIZING AND ESTABLISHING THE SERVICE AS WELL AS CAPITAL EXPENDITURES, INCLUDING FLIGHT EQUIPMENT STOP ALL REVENUES FROM THIS SERVICE WOULD OF COURSE BE CREDITED AGAINST OPERATING COSTS BEFORE COMPUTING AMOUNT REQUIRED UNDER GUARANTEE TO PRODUCE TEN PERCENT RETURN STOP OPERATING COST FOR ONE YEAR TO INCLUDE COMPLETE AMORTIZATION OF UNSALVAGEABLE CAPITAL INVESTMENT AND DEVELOPMENT COSTS STOP MAXIMUM AMOUNT WOULD NOT EXCEED 3,000 CONTOS STOP THIS OPERATION WOULD OF COURSE REQUIRE ONE POSSIBLY TWO ADDITIONAL FLIGHT UNITS.

CAUBY

2:30 PM

C
O
P
Y

[fol. 2889]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 215

C
O
P
YW. R. GRACE & CO.
7 Hanover Square
New York

Office of the President

July 18th, 1941

C. V. Whitney, Esquire,
Chairman of the Board
Pan-American Airways Corporation
Chrysler Building
New York City.

Dear Sonny,

In accordance with Boig's conversation with you, I have pleasure in enclosing copy of the letter I propose sending to the CAB on Monday, and also a copy of the Minutes of Special Meetings of the Board of Directors and Stockholders of the Pan American Grace Airways. The letter is for you and any associates that you choose to show it to, but obviously it is confidential until it is delivered to the CAB.

I am going to Montauk and will be at Gurney's Inn from today at Noon until Sunday morning. On Sunday I will be in Westbury and Monday morning in my office. If you want to speak to me at any time I will be available.

Yours sincerely,

(Dictated by)

D. STEWART IGLEHART

[fol. 2890]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 216.

July 21, 1941.

Civil Aeronautics Board,
Washington, D. C.

Attention: Hon. Harlee Branch, Chairman

Dear Sirs:

New Orleans/Panama Service
Docket No.

Pursuant to our Notice of Intention to file application for the above route, Gulf & Caribbean Airways, Inc., a wholly owned subsidiary organized by us, filed corresponding application July 21 as per copy enclosed. We feel that we should point out certain circumstances in reference to the filing of this application which do not appear from a reading of the application itself.

As you know, jointly with Pan American Airways Corporation we formed Pan American-Grace Airways, Inc. (Panagra) about twelve years ago. This company is operating a direct trunk line air service (over 7,000 route miles) serving the Panama Canal Zone and seven South American countries: Panama, Colombia, Ecuador, Peru, Bolivia, Chile and the Argentine. It is now instituting service to Corumba, Brazil, where it will connect with a Pan American line running to Rio. It enjoys great prestige and is one of the most potent American influences in the southern continent.

The proposed New Orleans/Panama route is a logical extension of the existing service of Pan American-Grace Airways, Inc. Such an extension providing a direct and independent connection with the United States for Panagra's great trunk line would add greatly to the efficiency of the Panagra operation and measurably facilitate and improve the service between the United States and the important South American countries on the Panagra route. For these reasons and because it would provide a second complete and independent direct line between the United States and South America, such an extension would clearly be in the national interest. As a 50% stockholder of Pan American-Grace

Airways, Inc. we have, therefore, felt that this New Orleans/Panama route should be applied for and operated by that company as an extension of its existing route.

Application has not been filed by Pan American-Grace Airways because Pan American Airways Corporation, the other 50% stockholder in Pan American-Grace Airways, Inc. has been unwilling to agree to the filing of such application or to consider the modification of certain agreements or alleged agreements which they consider preclude Pan American-Grace Airways from filing such application without their consent. As the directors representing Pan American Airways on the Board of Pan American-Grace Airways, Inc. have refused even to attend meetings of the Board of that company for the purpose of discussing the question, all action by Pan American-Grace Airways in the matter has been rendered impossible.

For the reasons indicated, we believe that Panagra should apply for and operate this New Orleans/Panama route. The action of Pan American Airways Corporation above referred to makes this impossible. Our only recourse, therefore, is to file this application by Gulf & Caribbean Airways, Inc. with the understanding that if it is granted the connecting service will be operated in a manner designed to accomplish so far as possible the objective that would be attained by its operation as an extension of the Panagra Route and with the further understanding that if prior to final decision on the application of Gulf & Caribbean Airways, Inc., Panagra should be in position to file and should file application herein, Gulf & Caribbean Airways, Inc. would be willing to arrange for the withdrawal of its application.

[fol. 28v] We respectfully request that pursuant to Sections 205(a), 415 and 1002(b) of the Civil Aeronautics Act 1938, the Civil Aeronautics Board institute an appropriate proceeding to determine whether, under Sections 408, 409, 411 and other relevant provisions of the Act, Pan American Airways Corporation and the directors of Panagra who are also director and/or officers of Pan American Airways

Corporation are justified in preventing the filing of an application by Panagra in its own name for the New Orleans-Panama Route, and take such other action in the premises as the Board may deem appropriate.

Respectfully yours,

W. R. GRACE & Co.
President

[fol. 2892]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 217

August 2, 1941.

*Memorandum of Points to be Considered
in Connection with Charter of Equipment.*

The general basis of the proposed arrangement is understood to be that each of the companies shall receive the revenues and be chargeable with the expenses on the sector for which it holds a certificate but that aircraft of one company would be physically operated over the route of the other. This is to be much along the lines of the agreement dated March 17, 1939, as amended under date of August 15, 1940, between Western Air Express and United Air Lines, approved by the C.A.B. in Docket No. 215. This memorandum is prepared to outline certain questions which must be determined before it would be feasible to attempt to set the detailed terms of the arrangement down in writing.

(1) *Route.* It is understood that the discussion commenced in connection with PAA's New Orleans application. Any arrangement in respect of the New Orleans route would necessarily have to be contingent on the granting of so much of PAA's application as provides for service between New Orleans and the Canal Zone, and this would be on a "when, as and if" basis.

At my conference of Friday with Mr. Poig and Mr. Cogswell
~~Campbell~~, we discussed the possibility of making the ar-

arrangement applicable to the Canal Zone-Miami route, although I stated that I had no knowledge whether Pan American would be disposed to agree to such an arrangement. This point should be explored.

If the arrangement is made applicable to the Miami route, there will be then a question as to whether it should also be made applicable to the New Orleans route on a "when, as and if" basis or whether it should be confined to the Miami route. If the arrangement were to be made applicable to the New Orleans route, would this be on a firm basis or would it be optional with Panagra?

While there was some discussion as to making Gulf and Caribbean Airways a party to the arrangement, it appears that any such plan would necessarily involve the transfer to PAA of any certificate issued to Gulf and Caribbean, and the C.A.B. would hardly be disposed to issue a certificate to Gulf and Caribbean on any such basis. In other words, if satisfactory charter arrangements are made and approved by the C.A.B., it would seem to follow that the Gulf and Caribbean application would not be pressed.

(2) *Character of Charter.* Is it intended that the charter should be reciprocal, that is, involving not only the use of Panagra equipment on PAA routes but also the use of PAA equipment on Panagra routes?

(3) *Effective Date.* At present the only available equipment which would be satisfactory for the proposed charter are the three Boeing S-307 four-engine aircraft owned by PAA. If the arrangement contemplates the use of PAA equipment on Panagra routes, would it be made effective immediately or would it await the delivery of DC4s to Panagra?

[fol. 2893] (4) *Number of Schedules to which Charter Arrangements are to Apply.* There would have to be some agreement on the number of schedules per week to which the charter arrangements would apply. This might be either a fixed number, or a minimum and maximum with provisions for notice by one company to another in the event of changes within the agreed range.

(5) *Schedules and Stops.* The agreement would have to provide that the hours of departure and arrival of the connecting schedules should be either as specified or as fixed by mutual agreement. A somewhat allied question is that of intermediate stops. Paragraph 13 of the agreement between Western Air Express and United Air Lines provides that the party over whose route the plane is being operated shall have the exclusive right to fix the scheduled stops. This would seem inherent in an arrangement whereby the party over whose route the plane is operating receives the revenues and is chargeable for the expenses of the operation. The agreement might, however, contain a provision to the effect that the purpose of the parties is to provide satisfactory through service and that the determination of intermediate stops is to be made with this underlying purpose in mind.

(6) *Cost of Charter.* In the Western Air-United agreement, the charter was at cost, including depreciation, but with no return on investment. This question should be explored as regards the proposed arrangement.

(7) *Crews.* Paragraph 3 of Western Air-United agreement provides: "The crew of each airplane used in conducting connecting schedule service under this agreement * * * shall be employed and serve as heretofore only on the routes of their respective employers." Such an arrangement is advantageous from the standpoint of route familiarity, coordination with ground personnel, and in connection with the problem of risk of loss. As against this, there may be a question of type familiarity if the chartered equipment is of a type used by one company and not the other. Definite decision must be reached on this point, as it affects the charter hire, risk of loss, etc.

(8) *Risk of Loss.* The Western Air-United agreement provides (par. 24) that the risk of loss is on the company over which route the aircraft is being operated. This would seem obviously the right solution of the problem where that company's flight crews are operating the plane. If the owner's flight crews continued to operate, this problem would occasion considerable difficulty. The agreement requires the using party to insure unless the owner is

satisfied with the user's self insurance. This would appear to be a fair provision.

(9) *Publicity, Time Tables, etc.* An understanding would be required as to the method in which the service of the chartered airplanes would be made known to the public. The Western Air-United agreement is fairly vague upon this subject. Paragraph 10 provides that each party shall display in the cabin a sign disclosing the name of the owner and the name of the operator. Paragraph 12 provides that tickets shall distinctly show that the trip east of Salt Lake City is being made via United and the trip west of Salt Lake City via Western. Paragraph 32 provides that United shall permit Western to display on its DST airplanes the word "Mainliner".

Henry J. Friendly

[fol. 2894]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 218

October,

29th

1941

Mr. Harold J. Roig, President
Pan American-Grace Airways, Inc.
New York, N. Y.

Dear Harold:

Recent government action indicates that no four-engine equipment, either Constellations or DC-4s, will be released for purchase by the airlines until late spring or summer of 1943. In view of this situation Pan American Airways has placed conditional orders for forty-three DC-3s for use on Latin American services and Alaska.

The indications are that deliveries on DC-3s to the airlines will be authorized commencing in June, 1942, approximately a year before any four-engine equipment could be anticipated. While Pan American-Grace has as yet placed no orders for DC-3s, Pan American in its priority applica-

tion has reserved six of the forty-three above referred to for Pan American-Grace Airways.

Should Pan American-Grace not avail itself of all or part of these six ships, to the extent allocated, Pan American would, of course, be glad to purchase them or any part thereof. The 1941-43 allotment by the government of DC-3s for commercial use as between Pan American and domestic airlines is already under way.

I will appreciate your advising me before November 5th, the date of the next Pan American Board meeting, as to Pan American-Grace's decision with respect to these six ships. Unless Pan American-Grace takes advantage of this option I see no opportunity for our joint company to provide additional capacity so urgently required south of the Canal Zone until adequate four-motor equipment is available for express services.

Sincerely,

J T T

President

[fol. 2895]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 219

November 4, 1941

W. R. Grace & Company,
7 Hanover Square,
New York, New York

Dear Sirs:

We have your letter of October 27 in reply to our letter of October 22. Our letter of October 22 was not, as you characterize it, "a categorical refusal to provide connecting service for Panagra's fourth trip as at present operated." Our letter merely pointed out that this fourth trip is not properly spaced to provide adequate through mail or passenger service, and suggested that Mr. Roig or Mr.

Harris confer with our System officials with a view to arranging suitable schedules for four adequately spaced trips per week. As a matter of fact, we have been at all times, and still are, anxious to institute a fourth schedule between Miami and the Canal Zone and it was with a view of presenting the matter in the most favorable light to the Post Office Department that we suggested in our letter of October 22 that Mr. Roig or Mr. Harris work out a revised schedule with our System officials.

The proper officials of the Post Office Department have been asked to approve a fourth direct schedule on a basis which would afford connections with the fourth schedule which has been inaugurated on our joint service. The Department will not approve at this time a fourth direct mail trip between Miami and the Canal Zone to connect with the new schedule inaugurated on the West Coast.

In view of this fact there is no occasion to reply to the other statements contained in your letter, although it should be said that with regard to most of such statements we are in complete disagreement.

We again ask that Mr. Roig or Mr. Harris cooperate in the preparation of an adequate schedule for a through fourth trip. In our opinion an adequate fourth through schedule would move more United States mail than would a trip connecting with the present fourth trip of Pan American Grace, and would enhance the likelihood of the Post Office Department being willing to designate a fourth direct trip between Miami and the Canal Zone as a regular mail schedule for Pan American Airways. Obviously, the interests of Pan American Airways are prejudiced until this can be accomplished.

There is clearly not the slightest occasion for holding the special meeting of the Board of Directors of Pan American Grace which has been called for November 5 to consider a proposal that Pan American Grace extend its route from the Canal Zone to Miami or other terminal or terminals in the United States, and in this connection apply to the Civil Aeronautics Board for the necessary certificate of convenience and necessity.

Substantially the same proposal has been repeatedly advanced by the Grace interests in direct conflict with the agreement under which Pan American-Grace was organized.

Such a proposal was first advanced by the Grace interests in the winter of 1938-1939, when, after extended negotiations the parties came to an agreement on February 14, 1939, effective until February 1, 1944. Notwithstanding the fact that such agreement disposed of the matter, a like proposal was again advanced by the Grace interests in January, 1941, when a special meeting of the Board of Directors of Pan American-Grace was called for the purpose of considering a proposal that the joint company extend its route to New Orleans. However, Pan American again considered the matter and came to the conclusion that such an extension would not only constitute an unwarranted departure from the prior agreements of the two stockholders, but would not be in the interests of Pan American-Grace itself, and we so advised Mr. Roig.

Six months later, however, another special meeting of [fol. 2897] the Board of Directors of Pan American-Grace was called, this time for June 18, 1941, to consider the proposal that the joint company extend its route to New Orleans. The matter was again presented to the directors of our Company with the result that they were again unanimously of the opinion that it would be neither in the interests of our Company or of our jointly owned company, or in the public interest, for our representatives on the Board of Directors of Pan American-Grace to approve such proposal. We wrote you under date of July 22, 1941, confirming this, but also advising you that in line with our agreement with you of February 14, 1939, we were glad to submit the matter to arbitration and requested that such arbitration be held at once. As you know, we have never had a reply to our letter of July 22, 1941 (a copy of which is attached hereto).

Nothing has transpired since which could in any way alter the position which we have heretofore taken. The adequate connecting service provided for in the agreement

of February 14, 1939 has been maintained and, as stated above, we are not only willing, but anxious to inaugurate a fourth schedule between the Canal Zone and the United States as soon as approval by the postal authorities can be obtained. Such approval is, of course, essential not only from a business point of view but is also required by our agreement with you of February 14, 1939 which provides that, with the exception of a second trip between Miami and the Canal Zone, Pan American Airways "shall not be obligated to operate any schedules and services not designated by the Post Office Department as mail schedules."

Under these circumstances no useful purpose can be served by further discussion of the proposed extension by our respective representatives on the Board of Directors of Pan American-Greece, particularly these days when our officials are so much occupied with matters having to do with [fol. 2898] the National Defense. Accordingly our representatives on the Board do not expect to attend the special meeting which has been called for November 5.

We remain willing, however, as we stated in our letter of July 22, 1941, to arbitrate the matters involved in accordance with the provisions of our agreement with you of February 14, 1939, and we repeat the request therein made for such arbitration. We will appreciate it if you will advise us of your position in this respect.

Very truly yours,

PAN AMERICAN AIRWAYS CORPORATION

Evan E. Young
Vice President

Enclosure

[fol. 2899]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 220

COPY

W. R. GRACE & CO.

7 Hanover Square
New York

A. GARNI

First Vice President

November 12, 1941

Pan American Airways Corporation

15 Exchange Place
Jersey City, New Jersey

Dear Sirs:

We refer to your letters of November 4th and July 22nd.

It seems hardly necessary to reply to yours of November 4th in detail. The facts speak for themselves. There was no "agreement under which Pan American Grace was organized" in conflict with the idea of their coming through to a terminal in the United States. There is nothing in the agreement of February 14, 1939 which prohibits the question being raised in the manner in which it has been. The meeting called for November 3, 1941 was in pursuance of that agreement and your refusal to permit your representatives on the Panagra Board to attend that meeting was in direct violation of its explicit terms.

As you will recall, immediately following our receipt of your letter of July 22nd, discussions were begun between Mr. Trippe and Mr. Roig looking to a settlement of our problems and reply to that letter was accordingly deferred pending the outcome of these discussions.

Both of your letters under reply suggest arbitration under the agreement of February 14, 1939. In our opinion the questions at issue do not come within the arbitration clause of that agreement at all except the question of the adequacy of your connecting service between Miami and the Canal Zone. As to that, and the other questions at issue,

we would call your attention to the fact that the agreement specifically provides that the questions to be arbitrated are those which cannot be settled by the Board of Panagra. The [fol. 2900] action of your representatives who are directors of Panagra in refusing to attend meetings of Panagra called for the purpose of discussing the questions at issue has made impossible even an attempt by the Board of Panagra to dispose of these questions as directors of Panagra acting under their full legal responsibility as such and has thereby eliminated these questions from the arbitration clause of the agreement.

In our opinion, it is in the manifest interest of Panagra and in the public interest that Panagra should apply for a route between the Canal Zone and a terminal in the United States. Your letters under reply deny this and repeat what you have so often and so frankly said before that your Board of Directors and your Executive Committee have considered the matter and decided that this is not in the interest of your company. In our opinion this matter is not one to be decided by your Board of Directors or by your Executive Committee, nor one to be decided with reference to the interests of your company. In our opinion the directors of Panagra are under not only a general legal responsibility as directors but also under a very special duty by virtue of various provisions of the Civil Aeronautics Act and the order of the Civil Aeronautics Board permitting them to hold the interlocking positions which they occupy, to administer the affairs of Panagra as an independent air carrier entirely and exclusively in the interest of Panagra and in the public interest. The position which has been so repeatedly and so outspokenly taken by your company and by the representatives of your company who are directors of Panagra, namely, that while acting as directors of Panagra their actions in matters where they consider there is a conflict of interest should be dictated by your Board of Directors and by your Executive Committee and should be governed primarily by what is in the interest of Pan American Airways rather than by what is in Panagra's and the [fol. 2901] public interest, is at the base not only of the present difficulty but of others which have arisen from time to time.

We feel that the orderly administration of Panagra's affairs, provision for its normal growth and development and its ability to be of maximum service to the United States Government requires prompt clarification of the existing situation. The body best qualified to determine the paramount public interest in the situation is the Civil Aeronautics Board. We see no alternative but to submit the entire matter to the Board for its determination of the following propositions:

1. Whether or not directors of Panagra should pass upon Panagra business brought before them as directors of Panagra and entirely from the standpoint of what is in the best interest of Panagra and in the public interest and without regard to the interest of any other company with which interlocking relationships exist.
2. Whether or not Panagra should have the full standing of an independent air carrier in every respect and be in position to take prompt and uncontrolled action in any and all matters without deadlocks, refusal to attend meetings or other negative action by some of its directors having the effect of putting one air carrier (Pan American) in control of another (Panagra).
3. Whether or not Panagra should in the public interest as well as in its own interest forthwith take steps to bring its service through from the Canal Zone to Miami and/or New Orleans thus providing an independent through trunk line over the Panagra Route from Buenos Aires to the United States.

Very truly yours,

W. R. GRACE & CO.

/s/ A. GARNI

First Vice President

[fol. 2902]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 221

COPY

PAN AMERICAN-GRACE AIRWAYS, INC.

Executive Offices
Chrysler Building
New York City

December 16, 1941.

Pan American Airways,
Chrysler Building,
New York City.

Dear Sirs:

We refer further to yours of November 4th.

Recent discussions in connection with the proposed Camaguey stop in which we have pointed out some of the difficulties with the existing Miami/Cristobal service and the effect of the Camaguey stop thereon make it unnecessary to discuss here the portions of your letter relating to these subjects.

The draft agreement attached to yours under reply appears to be merely one providing for mutual options, thus committing no one to anything until the mutual exercise of these options. Otherwise it follows pretty literally the United/Western Air form rather than attempting to develop from that as a starting point, a setup which might, as the writer originally suggested and hoped, meet our particular problem. Every point to that end which the writer discussed with Mr. Trippe is in this proposed agreement resolved in accordance with Mr. Trippe's views and contrary to those the writer expressed:—hardly an indication of a desire to settle the matter in this form. As drawn, the agreement seems to accentuate and perpetuate rather than to ameliorate Panagra's present position. Whatever its usefulness may be in other directions, we do not see that the proposed agreement meets our basic problem.

While we might readily answer your other statements, we do not believe that any useful purpose would be served

by further correspondence at this time regarding these quite irrelevant matters.

Very truly yours,

PAN AMERICAN-GRACE AIRWAYS, INC.

President

[fol. 2903]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 222

January 27, 1942

The Honorable
The Postmaster General
Washington, D. C.

Dear Sir:

Pursuant to schedules on file with your department, Pan American Airways, Inc. since September 1940 has been operating with Boeing S-307 four-engined strato-clippers three high speed trips per week between Miami, Florida and the Canal Zone, these trips departing from Miami on Tuesday, Thursday and Saturday of each week and from the Canal Zone on Sunday, Tuesday and Thursday of each week. At the time when these trips were inaugurated, the appropriation was inadequate to permit payment for all of them and payment has been received for only one of these three weekly round trips, the other trips being operated as voluntary flights. It was proposed at the time that new rates would shortly be fixed by the Civil Aeronautics Board and that all these schedules would then be designated as mail trips.

The increased volume of traffic to the Canal Zone as a result of national defense activities and the inauguration of additional schedules south of the Canal Zone by Pan American-Grace Airways, Inc. make an increase in the service to that point desirable. It is now possible for us to inaugurate a fourth weekly trip with Boeing S-307 four-

engine equipment, with southbound trips departing from Miami on Tuesday, Thursday, Saturday and Sunday and northbound trips returning from the Canal Zone on the same days, all on the same schedule now applicable to our Tuesday and Thursday trips. Within the next month we expect to be able to add a fifth and sixth weekly trip.

We are quite willing to stand by the arrangement made in August, 1940, with respect to the voluntary character of the second and third trips although it was not, of course, supposed that the arrangement would remain in effect for any such length of time. However, it would appear to us that any additional trips operated on this vital trunk route should be operated as mail pay schedules in the same way as the four round trips per week now designated between Miami and Rio (and three round trips per week between Rio and Buenos Aires) via the east coast route and the four round trips per week now designated between the Canal Zone and Buenos Aires via the west coast route. If your department concurs in our view as to the desirability of this proposed additional service to the Canal Zone, we respectfully request that your department designate the fourth proposed schedule for mail pay and indicate whether it is prepared similarly to designate the proposed fifth and sixth weekly schedules.

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

By:

Evan E. Young
Vice President

[fol. 2904]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 223

POST OFFICE DEPARTMENT

Second Assistant Postmaster General

Washington

January

28

1942

Mr. Evan E. Young
Vice President
Pan American Airways, Inc.
Chrysler Building
New York, N. Y.

My dear Mr. Young:

Reference is made to your letter addressed to the Postmaster General January 27, concerning the desirability of providing a fourth weekly flight on FAM 5 between Miami and the Canal Zone, in which you refer to the fact that specific payment is made for only one of the three present weekly flights between those points, the other two flights being operated as voluntary flights, and state that it appears any additional flights operated on this vital trunk route should be operated as mail pay schedules, with request that if the Department concurs in this view it indicate whether it is prepared similarly to designate also fifth and sixth weekly schedules.

The rates of pay for service by your company on FAM routes 5, 6 and 8, are based upon bids submitted more than 13 years ago (and bids for FAM 10 were submitted more than 11 years ago), with certain negotiated changes also made some time ago. It must be assumed that the rates heretofore fixed that may have been necessary to meet the conditions of traffic and the character of equipment available at that time, may not be the reasonable rates under present conditions and that perhaps the pay already received for the service as a whole may be sufficient to cover service including the proposed flight.

It appears necessary in the proper administration of the service to await the issuance of the rate order, before authorizing pay for the proposed additional flight, or, if your company sees fit to make the flight without the mail pay authorization, to have the mails carried on the voluntary flight without specific pay until such time as the rate order becomes effective.

Sincerely yours,

SMITH W. PURDUM
Second Assistant Postmaster General

C
O
P
Y

[fol. 2905]

PAN-AMERICAN WORLD AIRWAYS, INC. EXHIBIT 224

COPY

COPY

March 12, 1942.

The Honorable Smith W. Purdum
Second Assistant Postmaster General
Washington, D. C.

My dear Mr. Purdum:

At the conclusion of the conference this afternoon in your office you asked that we submit a letter to the Department, setting forth the financial arrangement under which Pan American Airways, Inc. would be able to undertake additional services on certain trunk lines to Latin America.

For the period ending June 30, 1942 or until such earlier date as the appropriate rates for such services are set by the Civil Aeronautics Board, Pan American Airways, Inc. would agree to operate, if designated by the Post Office Department:

- (a) Four additional round trips per week between Miami and Canal Zone, via Camaguey, at the rate of \$1.00

per mile southbound and \$.60 per mile northbound—an average of \$.80 per mile for the contract rate of 800 pounds. Any additional mail tendered would be carried at a pro rata reduction of the contract rate, namely \$.50 per pound per 1,000 miles southbound and \$.30 per pound per 1,000 miles northbound;

- (b) Four additional round trips per week between San Juan, Puerto Rico and Buenos Aires, via Port of Spain, Belem, and Rio de Janeiro, at the rate of \$.80 per mile southbound and \$.40 per mile northbound—an average of \$.60 per mile for the contract load of 800 pounds. Any additional mail tendered would be carried at a pro rata reduction of the contract rate, namely, \$.40 per pound per thousand miles southbound and \$.20 per pound per thousand miles northbound.

The Company is prepared to provide daily service between Miami and the Canal Zone via Cienfuegos,** effective next Monday, March 16th. The fourth and fifth weekly service between Puerto Rico and Buenos Aires, via the San Juan-Port of Spain cut-off, and the "Belem-Rio de Janeiro cut-off" could be instituted within approximately a week after designation of such additional service by the Department. The sixth and seventh weekly trip between San Juan and Buenos Aires would take a somewhat longer period to institute pending the availability of additional flight equipment which we expect shortly to have allocated in view of the current urgent need of additional service brought about by the suspension of surface shipping between the United States, Brazil and the Argentine.

Respectfully,

John C. Cooper
Vice President

** Should have read "Camaguey".

[fol. 2906]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 225

POST OFFICE DEPARTMENT

Washington

IH. G-w

95-9561

In replying mention number,
initials and date

June 11, 1942

Mr. John C. Cooper
Vice President
Pan American Airways, Inc.
135 East 42nd Street
New York, N. Y.

My dear Mr. Cooper:

Reference is made to previous correspondence including your letter of March 12, with respect to the authorization of service on additional flights between Miami and Balboa and between San Juan and Buenos Aires via the East Coast. Reference is also made to the new schedules issued by your company, effective June 1, which include the additional flights.

This matter has been given very careful consideration with the view of taking action that would be fair and proper, in connection with which the office of the Civil Aeronautics Board has been consulted as to the sufficiency of payments being made by the Department under the mail pay authorizations already issued.

For the present authorizations have been issued under which the company will receive the same pay as heretofore and the additional flights that are of material value for mail service will be used as voluntary flights without spe-

2980

cific pay, under the provisions of the contracts and amendments thereto. Copies of the orders are enclosed.

Sincerely yours,

Smith W. Purdum
Second Assistant Postmaster General

Enclosures.

[fol. 2907]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 226

9/24/42

BEFORE THE
CIVIL AERONAUTICS BOARD

Docket No. 779

In the Matter of the alteration, amendment and modification
of the certificate of public convenience and necessity of

PAN AMERICAN-GRACE AIRWAYS, INC.

under section 401 (h) of the Civil Aeronautics Act of 1938,
as amended, to provide for a route terminal in the
United States.

PETITION OF THE DEPARTMENT
OF JUSTICE FOR LEAVE TO INTERVENE

THURMAN ARNOLD
Assistant Attorney General

ARNE C. WIPRUD
WILLIAM R. KUEFFNER
Special Assistants to the Attorney General

CLARENCE J. NICKMAN
Special Attorney

[fol. 2908]

**BEFORE THE
CIVIL AERONAUTICS BOARD**

Docket No. 779

In the Matter of the alteration, amendment and modification
of the certificate of public convenience and necessity of

PAN AMERICAN-GRACE AIRWAYS, INC.

under section 401 (h) of the Civil Aeronautics Act of 1938,
as amended, to provide for a route terminal in the
United States.

**PETITION OF THE ANTITRUST DIVISION OF THE
DEPARTMENT OF JUSTICE FOR LEAVE
TO INTERVENE**

**TO THE HONORABLE
THE CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.**

Comes now your petitioner, the Department of Justice,
and respectfully represents that it has a substantial interest
in the matters in controversy in the above entitled
proceeding and desires to intervene in and become a party
to said proceeding, and for grounds of the proposed intervention says:

I

That the Department of Justice is the governmental
agency upon which rests the duty and responsibility for the
enforcement of the antitrust laws.

II

That the federal antitrust laws are applicable to carriers
for hire engaged in interstate or foreign commerce; that
your petitioner is concerned with any agreement or arrangement
between such carriers which restrains competition.

tion or constitutes an attempt to monopolize; that there [fol. 2909] is sought in this proceeding a determination by this Board whether the route of the Pan American-Grace Airways, Inc. (hereinafter called Panagra) should be extended from the Canal Zone to the United States and to allow expansion of its terminal facilities; that the attempted limitation of such expansion by other interests as hereinafter set forth, involves the question of suppression of competition and the public issues of restraint and monopoly.

That your petitioner is informed that Pan American Airways, Inc. (hereinafter referred to as Pan American), its officers and directors, and others, have sought through divers ways to impede, obstruct and stifle the efforts of Panagra to expand as proposed in this proceeding and thereby compete effectively with Pan American.

That your petitioner is further informed that Pan American, which owns 50% of the stock of Panagra, has through a continuous course of conduct sought to render ineffective the ability of Panagra to successfully compete with Pan American in air commerce in and between the South American nations and the United States, and more specifically Pan American has sought and will seek as a party to this proceeding to oppose before this Board the extension of Panagra's services and expansion of its terminal facilities in the United States; and that the effect of such opposition, if successful, will be to continue the exclusive air transport rights between the United States and the South American countries in Pan American.

III

That because of their property interests private parties to the proceeding are not primarily concerned with the substantial public issues involved; that the Department of Justice, through its Antitrust Division, is the only governmental agency charged with the duty of investigating complaints with respect to restraints and monopolies and [fol. 2910] to present evidence thereon; and that participation by the Department of Justice in this proceeding is in furtherance of the anti-monopoly policy of Congress as

expressed in the Civil Aeronautics Act of 1938, as amended, which the Board administers, and the federal antitrust laws which the Department of Justice must enforce.

WHEREFORE, your petitioner prays leave to intervene and be treated as a party hereto with the right to have notice of and appear at the taking of testimony, produce and cross examine witnesses, and to be heard in person or by counsel upon brief and at the oral argument, if oral argument is granted.

Respectfully submitted,

ARNE C. WIPRUD

WILLIAM R. KUEFFNER

Special Assistants to the Attorney General

CLARENCE J. NICKMAN

Special Attorney

By direction of

THURMAN ARNOLD
Assistant Attorney General

Dated at Washington, D. C.

September 22, 1942

[fol. 2911] ARNE C. WIPRUD, being duly sworn deposes and says:

That he is Special Assistant to the Attorney General and is authorized to execute and file the foregoing motion; that he has read and is familiar with the contents thereof; that he intends and desires that in granting or denying the petition herein, the Board shall place full and complete reliance upon the accuracy of each and every statement therein contained; that he is familiar with the facts therein set forth; that to the best of his information and belief every statement contained in the instrument is true and no such statement is misleading.

ARNE C. WIPRUD

Subscribed and sworn to before me this 24th day of September, 1942.

Notary Public, D. C.

(SEAL)

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing petition for leave to intervene has been served on each party to the above entitled proceeding.

ARNE C. WIPRUD

Dated at Washington, D. C.

September 24, 1942.

[fol. 2912]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 227

[Handwritten notation—12/21/42]

CONFIDENTIAL

Summary of Agreement and Action Taken Regarding Reimbursement for Costs of De-Germanization Services in Brazil

As a result of discussions initiated by Defense Supplies Corporation early in 1941, Pan American Airways Inc. agreed to cause its subsidiary, Panair do Brasil, to operate certain 'so-called' "De-Germanization services to replace Condor in Brazil. These services were provided for in a contract dated October 31, 1941 between Defense Supplies Corporation and Pan American. Throughout the preliminary discussion between representatives of Defense Supplies Corporation and Pan American, which lead to the contract, it was understood that Panair do Brasil would be reimbursed for operating the services in question which, under normal circumstances, would not be justified commercially.

After considering various methods of reimbursement proposed by Pan American, Defense Supplies Corporation

finally prevailed on Pan American Airways to agree that an effort would be made to obtain the reimbursement through the mail rate fixed for the Latin American operations of Pan American with the understanding that Defense Supplies Corporation would use its best efforts to get the Civil Aeronautics Board to agree to this.

Accordingly, it was provided in the contract of October 31, 1941 that if, within the time specified, Pan American submitted to the Civil Aeronautics Board a contract with Panair do Brasil covering the services in question and if such contract was not approved by the Civil Aeronautics Board, then Pan American could withdraw from the contract with Defense Supplies Corporation. The purpose of this provision was to enable Pan American to get from the Civil Aeronautics Board a commitment to pay for the services on a fixed basis set up in its contract to be made with Panair do Brasil before Pan American was obligated to carry out the program called for in its contract with Defense Supplies Corporation.

[fol. 2913] After considerable negotiation between Defense Supplies Corporation and the Civil Aeronautics Board and between the Defense Supplies Corporation and Pan American following the submission of the contract with Panair do Brasil, Pan American was advised that the Civil Aeronautics Board would approve the contract if certain modifications were made. They were made but the Civil Aeronautics Board then declined to approve that contract. In its letter dated December 20, 1941 declining such approval the Civil Aeronautics Board did state:

"that any losses incurred by Panair in performing the services specified in the contract between the Defense Supplies Corporation and Pan American (or such of them as may be designated by the Defense Supplies Corporation), provided the standard of honest, efficient, and economical management are met, will be treated as a legitimate cost by Pan American in rendering its international services and; furthermore that a reasonable profit to Panair will also be treated as a legitimate cost of Pan American in rendering said services and will be considered by the Board in deter

mining the need of the carrier under section 406 (b) in fixing the rate of compensation to be paid Pan American."

This was not satisfactory to Pan American since it left the matter completely unsettled and involved the whole situation with the difficulties and complications of an ordinary rate case. However, Pan American had in the meantime commenced to carry out the contract with Defense Supplies Corporation and the de-Germanization services were in operation to a large extent. Therefore relying upon the assurances from the Civil Aeronautics Board and the hope that a fair settlement would be made, Pan American and Panair do Brasil proceeded to carry out the de-Germanization program.

In its decision in the rate case dated August, 1942, the Civil Aeronautics Board concluded that the services provided for in the contract between Pan American and Panair do Brasil would produce an adequate profit without outside assistance so that no allowance was required pursuant to the letter referred to above. The profit estimated by the Board was approximately 5% as compared with a return of [fol. 2914] 10% allowed on Pan American's Latin American services. Moreover, the Board's conclusion was obviously erroneous. This was exactly the situation Pan American had imagined because of the difficulty of submitting proof in a late case to satisfy the Civil Aeronautics Board.

In a petition for rehearing, reargument and reconsideration of the rate case decision, Pan American pointed out that there were certain errors in the estimates upon which the Board relied in reaching its conclusion, regarding the de-Germanization services. For example, the Board had assumed that the mail compensation, including subsidies, would be the same on the de-Germanization routes as on the routes previously operated by Panair do Brasil. This conclusion was obviously erroneous because no subsidy has been received for any of the de-Germanization services. Furthermore, the operating record of Panair do Brasil since commencing the de-Germanization services shows a very marked decrease in earnings. In fact that Company showed a loss of \$26,112.59 for the first 9 months of 1942.

as compared with a net profit of \$192,030.59 for the 9 months of 1941.

By its order dated November 25, 1942 the Civil Aeronautics Board granted in part the petition for rehearing and permitted Pan American to introduce additional evidence on the point in question. A study is now being made in order to prepare such evidence and to determine what part of the loss of earnings, in recent months was due to the de-Germanization services. It is apparent that considerable work will be required to make a complete segregation of the revenues and expenses of the de-Germanization services and there is no assurance that any payment will ever be obtained for the services even though Pan American feels that something is due if the basic understanding with Defense Supplies Corporation is to be carried out. Furthermore Pan American and the Board would like to get the rate case cleared as soon as possible.

The contract of October 31, 1941 provides that it expires on December 31, 1942, with an option to Defense Supplies Corporation, exercisable any time prior to December 10, 1942, to continue the contract to the end of December 1946. This option was not exercised, Defense Supplies Corporation having notified Pan American that it had no intention of continuing the contract.

In informal discussions earlier this year with representatives of Defense Supplies Corporation it was indicated that the contract would not be continued beyond the end of this year and at that time it was suggested that Pan American should present a lump sum bill for the cost of operating the de-Germanization services. Now that it is definite that Brasil's obligation to operate the de-Germanization services will terminate at the end of 1942, it would appear to be simpler to follow this suggestion of Defense Supplies Corporation, namely, to reimburse Panair do Brasil by a lump sum payment to be determined by an appropriate study of the records after the operation under the contract has been completed, rather than to attempt to keep the rate case open and to have an adjustment of the rate made for the period prior to December 31, 1942.

The various considerations set forth in this memorandum all indicate that a lump sum payment would be the best and fairest way of terminating the matter. As a suggestion, such a payment might take the form of a reduction of the purchase price of the Lodestar aircraft now due from Pan American to Defense Supplies Corporation. It is therefore suggested that this be taken up with the appropriate representatives of Defense Supplies Corporation. If it could be agreed that a lump sum payment will be made, the rate case could be terminated promptly without further consideration of the de-Germanization services and the amount of the payment could be determined by a study satisfactory to Defense Supplies Corporation. Pan American would be willing to undertake the study alone or to cooperate with any representative of Defense Supplies Corporation in making it.

December 21, 1942

[fol. 2916]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 228

bcc: President

Vice President Young

Vice Pres. & Treas.

Vice Pres. & Gen. Traf. Mgr.

Mr. H. J. Friendly

February 4, 1944

Mr. Harold J. Roig, President
Pan American-Grace Airways, Inc.
7 Hanover Square
New York, New York

Dear Harold:

Upon my return from Miami yesterday I found that Pan American is working on the preparation of exhibits for the Latin American certificate case and in this connection is developing and planning postwar traffic schedules to be operated with L-49's (Lockheed Constellations) or other similar new equipment. The question has arisen as to whether it would be desirable for us to consider the inter-

change of this new equipment between Pan American Airways and Pan American-Grace Airways so as to enable a single ship to be flown all the way from Miami to Buenos Aires and return.

I further learned that Pan American-Grace Airways is working on similar exhibits and has been in touch with Pan American's Traffic Department in this connection. I am therefore writing to ask if you would care to discuss the question of interchange of equipment between the two companies for presentation in this case.

Very truly yours, .

/s/ HOWARD B. DEAN
• Howard B. Dean

[fol. 2917]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 229

Memorandum of Conference

During the morning of Tuesday, May 16, 1944, I called Mr. Harrison Tweed, counsel for Pan American-Grace Airways, and said to him that there was an important matter in connection with the Latin American Certificate case which we would like to discuss with him and Mr. Roig. Mr. Tweed fixed the appointment for Mr. Roig's office at 2:30 P.M.

Mr. Balluder and I called at Mr. Roig's office at that time and met Mr. Roig and Mr. Tweed.

I stated that a problem had arisen in connection with the Latin American certificate case which we wished to discuss with them. I said that this problem had been creating difficulty at the conference which we had had with the Panagra representatives on the previous afternoon, and had been rendered acute by a final decision which had been made at a meeting with Mr. Trippe which had followed.

I said that in the course of discussions with Mr. Trippe over the past several weeks, there had developed a new idea having an important bearing upon the presentation

to be made in the Latin American certificate case, and that a final decision to proceed upon this basis had been made at a meeting in Mr. Trippe's office the previous afternoon. I said that this idea was one which we regarded as of considerable importance and that we would like to make it available for consideration by Pan American-Grace but that it was equally important to us that it should not be the property of other applicants until the exhibits were exchanged on June 1. I said that our natural impulse would have been to go to Mr. Roig and place the thought before him in confidence but that the question had arisen in our minds whether he would feel that he was in a position to receive it in confidence. I mentioned the fact that he was a director of Grace Line, Inc., which was an applicant, and that Mr. Garni was a director not only of Grace Line, Inc. but of Eastern Air Lines. I said that we felt in view of this we should first ascertain whether Mr. Roig felt that he could discuss the matter with us without feeling that he was under obligations to reveal it to these other applicants.

Mr. Roig said that so far as the Eastern Air Lines problem was concerned he felt this could be dismissed; that in this case he considered Eastern Air Lines just as much the enemy of Pan American-Grace as we considered it to [fol. 2918] be the enemy of Pan American; and that from a Pan American-Grace viewpoint he would insist that nothing be given to Eastern Air Lines which would be of value to them. He said, however, that the Grace Line matter presented quite a different problem. While he had nothing to do with the preparation of Grace Line's case he naturally did see the Grace Line people and there was a question in his mind whether he and his colleagues could withhold from Grace Line information that might be of value to them.

Mr. Tweed asked whether the idea in question was of such a nature that not knowing it would hurt Panagra. I said that the question whether the idea was a good one or not, of course, was debatable; that we thought it was good and that consequently it was our view that for Panagra not to know it would be a disadvantage to that company. I said also that if Mr. Roig felt that he could not receive this material in confidence I believed that it would be necessary

to terminate the discussions which had been going on between the traffic and operating officials of Pan American and Pan American-Grace in connection with the preparation of the certificate case exhibits. I said that the idea in question affected various matters which would come up in these conferences and that our people could not properly continue the discussions unless they were in a position to make this material available to the Pan American-Grace staff.

I said that whether or not this would be a detriment to Panagra was also a question on which there might be different opinions.

Mr. Tweed asked whether the idea was one which Mr. Roig would not have unless we placed it before him. I said that all I could say on this was that I had seen no evidence that he had it, although perhaps this was the kind of mystery which was actually well known to everyone. I apologized for having to make such a secret out of the matter but said that obviously when we were discussing whether a disclosure could be made I could not very well make the disclosure.

Mr. Roig said that the matter was very difficult; that if he felt that the suggestion was of no importance he would be inclined to take the position that he had better not know of it but that, on the other hand, if it was of importance he did not like letting his Grace Line connections interfere with the welfare of Panagra. He said that the very fact that we thought that the idea would be good and of sufficient importance to take up with him in this way, made him feel that in all probability the idea fell in the latter category.

[fol. 2919] There was some discussion of the possibility of my disclosing the idea to Mr. Tweed with the thought that if he considered it to be entirely without merit there would be no need of Mr. Roig's pursuing the matter further. I said that I was perfectly willing to do this but it seemed to be agreed that Mr. Tweed would hardly wish to take the responsibility of saying that the idea was not even worth consideration.

Mr. Roig said that he would like to consider the matter further; that it appeared to him that the only way in which

it could be handled would be for him to obtain authority from his Grace colleagues to handle the matter on his own behalf of the Grace interests, and that he would do this as soon as Mr. Garni returned from Washington. I emphasized the need of a speedy solution for the reason that I thought the conferences between the staffs would have to be suspended until a decision was reached.

Mr. Tweed produced a memorandum from Mr. deGroot stating that he was disturbed over the fact that Pan American was now estimating that it would deliver 20,000 people a year to Pan American-Grace at Balboa, and that this would produce an 83% load factor in contrast to the 40% which Mr. deGroot had previously estimated. This increased load factor would throw Pan American-Grace into a profit rather than a subsidy category. I said that I did not know the source of the 20,000 figure or how it had been arrived at, although I had no doubt that the increase over previous estimates was the result of the proposed lowering of fares. I said also that this discrepancy might be a result of the new ideas on which we were proceeding and afforded an illustration of the fact that continued collaboration would hardly be possible unless we could discuss the matter freely with Mr. Roig.

Mr. Balluder and I then returned to the Pan American office. We advised Gen. Roop, Mr. Ferguson and Mr. Chenea of the talk which we had had with Mr. Roig and they agreed to instruct their staffs to advise the Pan American-Grace officials who were seeking conferences that these would have to be deferred pending a decision which Mr. Roig was making on a matter that we had placed before him.

On Wednesday, May 16, Mr. Tweed telephoned me. He said that Mr. Roig had told him that he had cleared the [fol. 2920] matter with his Grace colleagues on the basis that Mr. Roig alone would handle the matter for the Grace interests, and would like to discuss the matter further on Thursday. An appointment was made to meet at Mr. Roig's office on Thursday, May 17, at 10 A.M.

H.J.F.

[fol. 2921]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 230

Memorandum of Conference

Pursuant to appointment, Mr. Balluder and I called at Mr. Roig's office at 10 A.M. on Thursday, May 18, 1944. Mr. Harrison Tweed attended the conference. This conference was held pursuant to the understanding that Pan American had certain plans with regard to its presentation in the Latin American certificate case which it desired to reveal in confidence to Mr. Roig and Mr. Tweed, and which they were prepared to receive in confidence.

I stated that over the past few weeks we had had a number of discussions with Mr. Trippe in regard to the presentation to be made in the Latin American certificate case; that Mr. Trippe had the feeling that our proposed presentation was of a commonplace character, and that unless Pan American and Pan American-Grace came out with something new and different the effect upon the position of both companies would be unfavorable. I said that Mr. Trippe also had the feeling that there was great interest in Government circles in Washington in mass transportation to Latin America and this not so much to tourist resorts, such as the West Indies, but to the countries of Latin America with which our future commerce and trade might be of great importance—such as Brazil, Peru, Chile and the Argentine. Mr. Trippe felt that this mass movement could be accomplished only through greatly reduced rates. On the other hand, the figures showed that with the use of the L-49 such rates could be offered only at a very large subsidy cost.

About this time Mr. Trippe had made a visit to the Pacific coast and had been greatly impressed with the Douglas DC-7, as to the performance of which he had been given certain figures which we believed were not generally available. The use of this ship would produce very startling economies. Crew cost per passenger mile would be almost cut in half; depreciation and maintenance costs per passenger mile would be lower, and generally the plane,

having a carrying capacity of more than twice that of the L-49, would not have anything like twice as great an operating cost. We had come to the conclusion that it would be to Pan American's advantage to reflect the utilization of this plane in its exhibits, and we believed that it would likewise be to the advantage of Pan American-Grace to show the use of this aircraft.

At this point we gave to Mr. Roig and Mr. Tweed certain confidential figures in regard to the characteristics of the DC-7.

[fol. 2922] Mr. Balluder outlined Pan American's plans as to the use of the DC-7 and the services to be operated to the Canal Zone. He said that our plans contemplated one daily flight with a DC-7 from New York to Rio via San Juan and Belem; another from New York to Buenos Aires via San Juan, LaGuaira and Manaus; another from Los Angeles to Balboa; and another from Miami to Balboa, the latter connecting with Pan American-Grace's express service. In addition, we would operate an L-49 from Miami to Balboa connecting with Pan American-Grace's local service, and an L-49 from New Orleans to Balboa which would proceed thence to Rio. Mr. Balluder gave figures as to the number of passengers whom Pan American would deliver at Balboa by these various means, the number whom Pan American would expect to take out of Balboa on the L-49 service to Rio, and the traffic which would be turned over to Pan American-Grace on the assumption that about half the remainder would represent traffic for the west coast as distinguished from traffic for the north coast, central Colombia and local Canal Zone traffic. This amounted to about 18,000 passengers per annum.

Mr. Roig at first displayed a very sympathetic attitude toward the proposal. He said that he recognized there were economies in the use of a larger plane, particularly in the light of the experience which the Grace Line had had with the use of a new type of freighter which carried twice the cargo that could be carried by a former type at very little greater expense. He felt that this should also prove true in the air transport field.

Mr. Roig asked, however, why we continued to run a DC-7 out of Miami and why we ought not to show the DC-7 as running directly out of New York to Balboa, possibly with a stop somewhere in Cuba. I said that we felt it was not desirable to show a service which directly paralleled that of the domestic airlines between New York and Miami, and that we believed that a stop in Miami as distinguished from one in Cuba had great traffic advantages since Miami was a natural funnel for routes from the central and middle western part of the United States.

At this point Mr. Roig became considerably exercised over Pan American's plan to run a service to Buenos Aires directly out of New York. He said that he felt this would make Panagra a jerkwater line, and that he would then have to go back to Docket 779 and ask that Panagra's terminal in the United States be made not Miami but New York.

I said that I could not see why our suggestion for showing a larger type of equipment created any change in this situation. I recalled that Pan American's original application [fol. 2923] made in November, 1943 included a direct route from New York to Buenos Aires and that the only change which we were now making was to propose the operation of this service with what we considered a superior type of equipment which we also wished to have placed on the west coast route.

Mr. Roig said that a passenger desiring to go to Buenos Aires via Panagra would have to plan his arrival at Miami so as to arrive ten or twelve hours before the departing plane, and would probably have a layover of the same duration in Balboa, and that in the time when this passenger was laying over a passenger out of New York could actually be getting to Buenos Aires; that this meant that Panagra not only would lose the Buenos Aires traffic but probably traffic to Santiago and Lima as well.

I said that there was no reason why any such delays as those which Mr. Roig had intimated should occur. I said that so far as Balboa was concerned we advocated very strongly that the DC-7s should be operated directly from

Miami down the west coast through an appropriate interchange or charter arrangement; that this would completely eliminate the Balboa problem since the plane would go right through no matter how late it was and there would be no danger whatever of missed connections. As to Miami, I said that the problem was more difficult but that I could see no reason why our exhibits could not state that we would look with favor on an arrangement which would permit the through operation of planes from Miami to New York, under charter or interchange agreement with the domestic airlines, and that I was confident that the matter would ultimately be worked out in that way.

I also pointed out that Panagra had certain advantages for Buenos Aires traffic which Mr. Roig had not mentioned. In the first place, there was the question of the passenger who desired to stop over en route to whom the Panagra route offered a good deal more in the way of attractions than the San Juan-LaGuaira-Manaos operation. I also said that I thought Mr. Roig erred in considering the New York area to be the only source of traffic within the United States. I said that we felt the Pacific coast was an extremely important source of future traffic to Buenos Aires, and that as to this Panagra was obviously in a position far superior to anything that Pan American ever could be. I said that as to the middle west also it seemed to me that Panagra would have the edge even allowing for the fact that some people from this area might like to proceed to South America with a stop at New York.

[fol. 2924] Mr. Roig said that as far as he could see we were trying to consign Panagra to the position of being a jerkwater line, and that he would never accept this even if it meant the loss of all of Grace's investment in Panagra.

I said to Mr. Roig that I could not see the justice of this position at all. I again stated that it seemed to me he was confusing two issues; one was his dislike of Pan American's operating a service out of New York. That issue had been in the case since November and our present proposal did not change it in any way. So far as Panagra's operations south of the Canal Zone were concerned, our desire was to

make these just as effective as possible and our proposals were designed to that end. The trouble was that Mr. Roig kept insisting that Panagra could never amount to anything on account of delays at Miami and Balboa and at the same time refused to do anything about it short of insisting on prolongation of Panagra's own route. I repeated that the Balboa problem was entirely under control and could be easily remedied by an interchange arrangement which we very much desired, and that I felt the Miami situation would yield to treatment and that in any event there were advantages to Panagra in drawing on traffic available through the Miami gateway, which Mr. Roig wholly ignored.

Mr. Balluder brought out that with an interchange arrangement two additional DC-7s would be sufficient to handle Panagra's requirements, whereas if Panagra insisted on a separate operation three planes would be needed. This meant a very substantial saving through an interchange agreement.

I again suggested that Mr. Roig endeavor to consider the DC-7 proposal on its merits and apart from the New York situation which did not seem to me to be changed in any way by the introduction of this new thought. Mr. Roig said that his initial reaction had been favorable but that he was commencing to wonder whether with our operation out of New York Panagra would have sufficient traffic to justify a DC-7, or for that matter, an L-49. I suggested that Mr. Roig endeavor to approach the matter in a somewhat less pessimistic frame of mind and advise us when he was ready to discuss it again.

H. J. F.

[fol. 2925]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 231

Memorandum of Luncheon Conference

Mr. Tweed lunched with me on Friday, May 19, at my invitation to discuss the position in the Latin American certificate case in the light of our conference of May 18 with Mr. Roig.

I began by stating that we were utterly taken aback by the turn which the conference had taken. I said that I had tried to make clear yesterday that the question of service by Pan American out of New York had been in the case since November and was not affected except in terms of volume by the introduction of the DC-7. I said there was one other point which I had not emphasized yesterday and that was that the idea of service out of New York had not been introduced into the case by Pan American. I explained that Eastern had applied for a route from Washington direct to Ciudad Trujillo, and that all of Mr. Roig's steamship friends, including the Grace Line itself, had applied for routes out of New York. I said that to expect Pan American under these circumstances to close its eyes to the facts of geography was simply impossible, and that it would not benefit Pan American-Grace if we had, since this would simply mean that the route out of New York would be awarded to someone else.

I said that my second impression of the conference was that, conceding that direct service from New York to Buenos Aires presented some problems for Pan American-Grace, Mr. Roig refused to do anything to enable Pan American-Grace better to meet these problems and refused because of the fact that by meeting these problems he would hurt his chances of getting Panagra's route extended to Miami. Mr. Tweed asked me what I meant by "doing something." I said that I referred to an arrangement for the through operation of equipment from Miami and possibly from New York through the Canal Zone to points on the west coast.

I said that I thought it might assist Mr. Tweed to have the background on the history of the interchange proposals

because I felt that Mr. Roig's reactions to this idea were somewhat conditioned by the long history of this subject. I thereupon reviewed the various charter and interchange proposals at some length.

Mr. Tweed said that the situation was very difficult indeed; that when he had come into the case he had felt that it was important that the two companies should show [fol. 2926] a high degree of cooperation and also that a picture should be presented that there was some competition between the two companies. He felt that the present situation threatened the attainment of both these objectives.

Mr. Tweed said that this matter had actually started to boil up about a week or so ago. He said that Mr. Vidal had told him that he had discovered that Pan American was showing service out of New York to Miami. Mr. Tweed had then had a telephone talk with me in which we had discussed various things and he had asked me whether Pan American was showing such service. I had said to him that we certainly were not planning service between New York and Miami, although I had seen some preliminary schedules in which the Pan American traffic people showed a departure out of New York simply to give some idea as to when a passenger proceeding on a connecting plane of one of the domestic airlines would have to leave to make the connection. I said that, of course, I had not construed Mr. Tweed's question as relating to service from New York via San Juan which had been in the case from the beginning. Mr. Tweed said that he had relayed the results of our telephone talk but that Mr. Vidal still was not satisfied and shortly before our conference of Monday, May 15, had brought the matter up again with Mr. Tweed. At this time Mr. Vidal for the first time made it clear to Mr. Tweed that his inquiry related to service between New York and San Juan. Mr. Tweed told Mr. Vidal that this was something different from what Mr. Tweed had asked me, and said that if Mr. Vidal had any question about the matter he should bring it up at the conference. Mr. Vidal had in fact asked at the conference on Monday whether we intended to operate direct service from New York via San Juan to Buenos Aires and I had immediately responded that, of course, we did so intend.

Mr. Tweed said that he believed that Mr. Roig honestly had not appreciated the New York angle of the problem until our talk, although he could not find any good reason for this and conceded that there had been nothing in the way of concealment on our part.

I asked Mr. Tweed what he thought of my crystallizing the interchange issue by writing a letter to Mr. Roig. I said that I had no hope that Mr. Roig would react favorably to the interchange idea, but that if he had any interest in it I would prefer to take the matter up with him orally rather than confronting him with a letter. On the other hand, if he were going to remain adamant about the problem, I would prefer to have Pan American write such a letter and also bring the matter up in the Panagra Board. Mr. Tweed [fol. 2927] said that he would explore the situation but had no hope that Mr. Roig would look with favor on the idea of an interchange.

We had a good deal of discussion as to whether Mr. Roig was justified in opposing an interchange because of the fact that this might hurt Panagra's chances of getting through to Miami. We also discussed the question whether, if Mr. Roig decided that Panagra should oppose Pan American's New York-San Juan application, this fell within the permissible scope of Mr. Tweed's retainer or whether this was a matter that would have to be taken up with the Panagra Board. No definite positions were taken as to this latter question.

Mr. Tweed agreed that until some further conclusions were reached no useful purpose would be served by further meetings between the staffs of the two companies, and that in particular the meeting called for this afternoon (May 19) should not be held.

Mr. Tweed also inquired in exactly what respects what we had told him and Mr. Roig yesterday was confidential. I said that what was confidential was our plan to use as large a plane as the DC-7 and also the performance characteristics of that plane. I said that the fact that Pan American was intending to operate an express service from New York to Buenos Aires was not confidential.

H.J.F.

[fol. 2928]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 232

July 12, 1944.

MEMORANDUM OF CONFERENCE.

Pursuant to Mr. Roig's request, Mr. Dean and I met with him at the apartment of Mr. Harrison Tweed at 3 P.M. on the afternoon of July 11, 1944.

The first subject discussed was the advisability of Pan American-Grace Airways reflecting in its estimates in the Latin American certificate case the use of DC-7 equipment on its express service.

Mr. Roig stated that he had not been able to persuade himself that the use of such large equipment was warranted. He said that the estimates which had been made, involving the use of L-49 equipment, meant doubling the present passenger traffic and still showed a deficit; that Pan American-Grace did not serve as populous a territory in South America as did Pan American Airways; that, with Pan American operating direct service from New York to Buenos Aires, he felt Pan American-Grace would not get even half of the Buenos Aires traffic; and that for these reasons, even if Pan American were justified in showing DC-7 equipment on certain of its express routes, he doubted whether the same was true of Pan American-Grace.

Mr. Dean and Mr. Friendly felt that an estimate of double the existing traffic was not at all optimistic and would probably be regarded as unduly conservative. They stated that Pan American felt that there were two advantages in showing the use of DC-7 equipment. One of these was an economic reason. Pan American felt that it was very important to reduce passenger fares, and the available figures indicated that the cost per passenger mile of operating the DC-7, assuming reasonable load factors, was very much less than that of operating the L-49. The second was from the standpoint of presentation. Pan American felt that it was far better to be in the position of presenting something that could be criticized only as being too ad-

vanced and of answering any such criticisms by saying that if the Board did not feel the time was ripe for operation of this type of equipment Pan American could operate DC-4s or L-49s just as well as anybody else, than presenting a picture based upon L-49s or DC-4s, finding other airlines presenting more advanced types of equipment, and then having to run after them and say, "We can do that, too."

Mr. Roig recognized the force of these considerations but said that he just could not see himself supporting traffic estimates of the size that would be needed to justify the [fol. 2929] DC-7. He suggested as a possible alternative that Pan American-Grace might base its estimates upon the use of the L-49, with supplemental estimates showing the result of using the DC-7. He said he had not thought this through and did not wish to be committed to it. Mr. Friendly and Mr. Dean said that they likewise would like to think this over.

The discussion then turned to the question of interchange. Mr. Roig asked what kind of interchange was meant and said that when the subject was discussed, his thoughts always turned to a certain agreement which had been presented to him. Mr. Friendly suggested that Mr. Roig rid himself of this thought and that the discussion be on the merits, uncomplicated by any agreements or discussions in the past. Mr. Dean explained that the type of interchange which we favored was one under which a four-engined aircraft could fly from New York to Buenos Aires, operating from New York to Miami over the certificate of a domestic carrier, from Miami to Balboa over Pan American's certificate, and from Balboa to Buenos Aires over Pan American-Grace's certificate. The aircraft might be owned by any one of the carriers participating in the interchange. Each carrier's flight crews would operate the plane over its own route. Each carrier would be responsible for the safety of operations on its own sector. Each carrier would receive the revenues earned through operation over its portion of the route and would pay such expenses as flight crew salaries and expense, gasoline and oil, etc. Charges for such items as aircraft and engine depreciation and overhaul

would be offset, with balances to be settled at an agreed rate. Although the airplanes would bear some insignia identifying the owning company, they would also be placarded so as to show the identity of the company operating them over the particular portion of the route.

Mr. Dean stated that he had in mind the possibility of some kind of exchange of pilots as well as an interchange of equipment so that certain Pan American-Grace pilots could be brought to the United States for a tour of duty at Miami while certain Pan American pilots could obtain experience in operating over the mountainous country in South America served by Pan American-Grace. Mr. Friendly said that while he saw no objection to this if it could be worked out, he felt that the present discussions ought not to be complicated by consideration of these questions which involve difficult problems in regard to labor agreements, seniority, etc. He felt that Mr. Roig should understand that the only commitment that we were making as to matters of this sort which were collateral to the equipment interchange itself was that at any time we would [fol. 2930] be glad to sit down and discuss these in a cooperative spirit.

Mr. Roig stated that an interchange arrangement would definitely have great advantages from the standpoint of the passenger; that it would avoid the necessity of change of plane and would likewise avoid any problem of having to take an earlier plane in order to avoid the risk of missed connections. He also recognized that such a plan would probably result in better equipment utilization for Pan American-Grace, since its four-engined equipment would be part of a larger pool with smaller reserve requirements. He raised certain technical questions in regard to the workings of an interchange but did not appear to regard any of these as constituting any real obstacle.

The question was raised as to whether the possibility of such an interchange should be taken up at this time with Eastern or National. Mr. Friendly stated that he did not believe that anything would be gained by this since neither of these airlines would be receptive to such an arrangement.

so long as they thought they could get into Latin American on their own. Mr. Roig said that he fully understood this since he had been in the same position himself. Mr. Friendly said that Pan American had been under no illusions as to the reasons for Mr. Roig's attitude toward interchange so long as he thought that Pan American-Grace's route might be extended north of Miami.

Mr. Friendly stated that whether or not an arrangement could be made with the domestic airlines for interchange north of Miami, he thought that an arrangement between Pan American and Pan American-Grace for interchange south of Miami should be made and was in the interests of Pan American-Grace.

Mr. Roig reflected for some time on the matter and then said that he supposed there were a good many people in Berlin who were thinking just now as to the merits of unconditional surrender. Mr. Dean stated that our attitude was not one of demanding any surrender but that we felt that an interchange was in the best interests of Pan American-Grace and ought to be recognized as such.

There was then some discussion as to the requirement of secrecy which Pan American had imposed with respect to the DC-7s. Mr. Roig said that he could see no reason for this, particularly since Pan American's annual report for 1943 had disclosed Pan American's intention of utilizing planes carrying more than 100 passengers.

[fol. 2931] Mr. Dean stated there were two reasons for the original imposition of the secrecy requirement. One of these was that Pan American at the time was dealing with the manufacturer and did not wish to have its negotiations jeopardized by other airlines. This reason was no longer a factor since Pan American had obtained a position with respect to this aircraft, out of which it was willing to take care of Pan American-Grace if Pan American-Grace so desired. The other reason was that Pan American did not wish its plan for the utilization of this aircraft in Latin American services to be known by other airlines since Pan American felt that this was a somewhat novel plan and that the inclusion of this aircraft in its presentation would give

Pan American an advantage, of which it did not wish to be deprived. This latter factor still existed. Mr. Dean said that if Mr. Roig felt that he could recommend the use of the DC-7 by Pan American-Grace, we would not object to his discussing the matter with his associates under the same conditions of confidentiality which Pan American had imposed upon him, but that, on the other hand, if Mr. Roig felt there was no merit in the proposal it might be better not to go further with it. Mr. Roig said that unfortunately the situation was not quite as clear as this; that while he personally was not satisfied that the use of such large aircraft would be justified, he did not regard the matter as beyond the realm of discussion and would like to be able to talk it over with his associates. It was left that Mr. Roig would give further consideration to the questions of the use of DC-7 equipment and of interchange, and would talk further to Mr. Dean about them at or after the Pan American-Grace Board meeting on July 13.

Mr. Tweed inquired whether it would be possible to resume the exchange of information as to estimates of revenues and expense between the staffs of the two companies which had been going on prior to the inauguration of the DC-7 discussions, with a view at least to reducing the area of disagreement. Mr. Friendly stated that at the moment the Pan American people were so busy revising their estimates in the *Latin American* case and working on the other cases which the C.A.B. had initiated that he did not believe that anything was in shape for discussion. Accordingly, he suggested that this matter also be deferred for further discussion.

Henry J. Friendly

[fol. 2932]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 233

[Handwritten notation—For Mr. Friendly]

July 15, 1944

I lunched with Mr. Roig at his request. He stated that he had given a great deal of consideration to the discussions which I, Mr. Friendly, Mr. Tweed and himself had had last week at Mr. Tweed's apartment regarding the interchange of equipment between Pan American-Grace Airways, Pan American Airways, and one of the domestic carriers operating between Miami and New York. He stated that he was frankly impressed with the commercial and business advantages of this type of interchange, but that speaking for W. R. Grace and Company's interest, he was not prepared to agree to such an interchange at this time, because he felt that it would definitely prejudice the position of Panagra in its becoming anything more than a connecting carrier. I advised Mr. Roig that he might expect that Pan American Airways would pursue and follow the position already taken that this interchange agreement should be entered into and that we would continue to make a record of our endeavors along these lines.

had ed

Mr. Roig then stated that he ~~would~~ discuss ^ with Mr. Garni the question of the size of the equipment which Panagra would use in the development of the Latin American certificate case, and that they had come to the conclusion that for the sake of "elbow room" they would mention three types, namely, DC-6, DC-7, and the Constellation, but not commit themselves definitely to any particular one. I told Mr. Roig that I felt this policy was weasling, and that he was trying to have his cake and eat it too, which from our interest in Pan American-Grace was far from satisfactory. Mr. Roig said that he was trying to get these ideas down on paper with the aid of Mr. Tweed, and at such time as he had been successful in doing this, Mr. Tweed would then go over the subject with Mr. Friendly.

I referred to the clipping from the *Aviation Monthly* regarding Gessel's appearance before Examiner Brown in the hearing of Adolph Garni with respect to his directorships in Eastern Airlines and Pan American-Grace. Mr. Roig assured me that Mr. Gessell was not appearing in any way for Pan American-Grace and that the published reports were in error. After luncheon Mr. Cogswell telephoned me and read me a letter of July thirteenth which Mr. Gessell had written to Examiner Brown, calling his attention to the fact that he was representing Mr. Garni only, and not Pan American-Grace. I asked Mr. Cogswell to send a copy of this letter to Mr. Friendly.

/s/ HBD.

[fol. 2933]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 234

cc: Mr. Tripp
Mr. Friendly

February 21, 1946

Mr. Harold J. Roig, President
Pan American-Grace Airways, Inc.
135 East 42nd Street
New York, New York

Dear Harold:

We have discussed the matter of your proposed operation of the two Pan American-Grace Constellations with Mr. Shannon and Mr. Vidal on the basis of Mr. Shannon's memorandum to me of February 16th. This matter was referred to our Executive Committee meeting on February 19th. The Committee felt that the operation as outlined would result in excessive cost to Pan American-Grace as well as providing uneconomical utilization of this equipment.

I have been requested by the Committee to submit to you a plan whereby Pan American Airways, Inc. would be willing to contribute two Constellation aircraft to a pool

to be formed with Pan American-Grace's two Constellation aircraft making a total of four aircraft of this type. With this fleet, an efficient operation could be conducted from the Miami base serving both the East and West coasts of South America by providing a daily service from Miami to Lima and a three times weekly service from Miami to Rio. This would result in a utilization of a little over nine hours per day per unit which could be ~~still~~ further improved, as for example, through a second daily service between Miami and Balboa, if warranted, or a daily Miami-Barranquilla trip. In support of our plan, I attach a memorandum outlining in detail the economic disadvantages of the proposal submitted in Mr. Shannon's memorandum and justifying in every respect our suggestion that a pool of equipment be formed to increase the utilization of the equipment to a satisfactory point, where the cost per mile will be comparable to that which we expect to obtain in our Constellation operations elsewhere.

I need hardly elaborate on the point that a through service from Miami to Lima, such as would be provided by the proposed equipment interchange, would be highly desirable from the standpoint of the traveling and shipping public.

We are confident that our proposal is entirely practical and in the interest of Pan American-Grace Airways, as well as the public interest. If you will kindly advise me that you concur in principle, I shall immediately take the necessary steps to coordinate this program, and put it into effect at the earliest possible moment.

Very truly yours,

Original Signed By
HOWARD B. DEAN
Howard B. Dean
Vice President

Attachment

[Handwritten notation—Received—H.J.F.—2/25/46]

[fol. 2934]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 235

Aside from the low utilization (six hours per day) which would result from Panagra's proposed operation of their Constellations between Lima and Balboa, having the aircraft serviced at the latter point by Pan American, there are other objections based on economy and efficiency which make such proposed plan of operation undesirable.

It is estimated that at least thirty men would have to be available in the Canal Zone to carry on routine maintenance of the aircraft and periodic long service, since the Constellation aircraft do not conform to any type presently contemplated for the Latin American Division which will standardize on C-54's. This would require the stocking and servicing of an abnormally large inventory of spares, parts, accessories, etc. to maintain only two aircraft. Pan American could not periodically withdraw from its present complement of maintenance personnel in the Canal Zone the estimated thirty men required for the Constellation service without completely disrupting its own scheduled operations. Therefore, it must be assumed that these thirty men would be additions to the present staff. Between brief periods of concentrated and accelerated activity these men would have relatively little to do. At least half of the men would have to be American skilled mechanical personnel brought from the United States, involving payment of \$75.00 monthly foreign allowance at a total monthly cost of \$1,125.00. Assuming two years as the average length of assignment and incidental transfer and settlement expenses as \$1200.00 per man, there is an additional monthly cost of \$750.00.

We note that an engine change would be required every six weeks and that in such cases the aircraft might be ferried to New York, which would involve 19½ hours non-revenue flying time at a direct flight cost of approximately \$5,250.00. During this time the aircraft would have to be withdrawn from Scheduled operations for an absolute minimum of three days, that is, two days transit time and one day in the shops. Considering maintenance scheduling com-

plications, necessity for test flights after engine installation, etc., five or six days is much more likely. This would leave only one aircraft with which to carry on the scheduled operations, which is considered entirely unfeasible from a practical point of view. The alternative would be to have the engine change performed in Balboa and the motors shipped to New York for overhaul. But here again extraordinary costs are involved, since the total transportation cost per engine New York—Balboa, including crating, insurance, ocean freight and cartage, would be \$636.15, or \$5,089.20 per engine change.

Higher maintenance labor costs due to inefficiency and higher hourly depreciation as a result of low utilization would further increase the direct flying expense. The direct hourly labor cost, including burden, for routine main-[fol. 2935] tenance of Constellations has been calculated at \$21.60. This includes only such service as would normally be performed in the Canal Zone and does not extend to main-base work such as engine overhaul. Assuming only 50% efficiency due to stand-by time of the thirty men, this figure becomes \$43.20. The same is true of the \$18.58 hourly depreciation figure on the airframe calculated on the basis of 4800 hours per year, since Panagra's estimated 2400 hour annual utilization figure will result in hourly depreciation of \$37.16.

It might be contended that the allowance for inefficiency is too great; however, we still believe that other factors which enter the maintenance picture, such as shipping and handling a large volume of spares by air or boat, higher cost of local supplies, etc. will make this figure a conservative one for estimate purposes and that experience may reveal an even greater departure from the hourly labor cost originally estimated by our engineering department on the basis of "mass-maintenance."

The effect of the above expenses would be to increase the direct flight cost per hour from \$269.25 as estimated for PAA Operation of Constellations in Transcontinental Flights to \$322.86, or per passenger-mile from \$.036 to \$.0431. The total annual increased direct flight expense under Panagra's plan would be approximately \$258,564.

The foregoing observations weigh heavily in favor of some alternate plan of operation which might be worked out based on an interchange of equipment between Pan American and Panagra. As a concrete example of what might be done along these lines designed to give at least 50% better utilization of equipment, the following is offered:

<i>Route</i>		
Miami-Balboa-Lima	2645 miles	10:35 hrs.
x 7 (Weekly Round Trips)		148:10 hrs.
Miami-Rio de Janeiro		
Mia—Jua	1040	
Jua—Spa	631	
Spa—Bel	1212	
Bel—Rio	1535	
<hr/>		
Total	4418 miles	17:45 hrs.
x 3 (Weekly Round Trips)		106:30 hrs.
<hr/>		
Grand Total Weekly		254:40 hrs.

The above schedule, if made effective, could result in daily round trip service Miami—Lima and three times weekly Miami—Rio, using four aircraft with an average daily utilization of 9.06 hours.

Since the complement of maintenance personnel in Miami regularly ranges from two to three thousand men, no [fol. 2936] difficulty would be encountered in assigning from this large number sufficient personnel with which to service and maintain the Constellations including engine changes. Also the shop burden in Miami would be correspondingly lower than in the case of Balboa.

Several modifications of the foregoing alternate plan could be worked out to increase the utilization. For instance, the establishment of a second daily round trip Miami—Balboa, if warranted by traffic, would bring the fleet unit utilization figure to 11:28 hours per day, with a consequent decrease in mileage cost. It is suggested as indicative of what can be devised to improve on the present Panagra proposed method of operating the Constellations.

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[fol. 2937]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 236

March 13, 1946

Messrs. ~~Dean~~ HBD
~~Ballader~~
Morris—HPM
Friendly

If the attached accords with your recollection, please initial the original of each memo, pass on to the next man on the list for similar action, and retain a copy for your file—returning the originals for Legal Department files.

HJF

[fol. 2938]

March 13, 1946

MEMORANDUM

RE: DISCUSSION OF CONSTELLATION INTER-
CHANGE AT PAN AMERICAN-GRACE
BOARD MEETING MARCH 12, 1946

After the formal business of the meeting had been concluded, Mr. Garni asked whether there were any other matters to be considered. Mr. Dean stated that he had been having discussions and correspondence with Mr. Vidal and Mr. Shannon and, through cable, with Mr. Roig, concerning the operation of the two Constellations on order by Pan American-Grace and the proposal that these two airplanes, together with two Pan American-owned Constellations, be based at Miami and operated as a single fleet from Miami to Lima on the one hand and down the East coast on the other. Mr. Dean said that the matter was very pressing because if Pan American was to do this it would be necessary to make immediate arrangements for the placing of trained personnel and spare parts at Miami.

Mr. Garni said that there were three pending questions in regard to this matter:

1—While it appeared that the method of operation of the Constellations proposed by Pan American would involve substantial economies, it was desired that Mr. Vidal

check the matter from a cost standpoint. Mr. Dean stated that of course we had no objection to this and would give Mr. Vidal every facility for making this check but emphasized the need of expedition.

2—Mr. Garni stated that it would have to be understood that if, by the time of the delivery of the DC-6s Pan American-Grace were extended to the United States, it would not be obligated to continue in the equipment pool agreement. Mr. Friendly said that there was no desire on Pan American's part to force Pan American-Grace to remain in the equipment pool agreement any longer than Pan American-Grace's own best interests dictated; that on the other hand it was quite obvious that since Pan American had not intended to operate the Constellations out of Miami, Pan American would be incurring certain costs in setting up the equipment pool arrangement which otherwise would not have been incurred; that it would be reasonable to incur these costs if there were a certain period for working them out; but that if the period were to be unduly short, Pan American-Grace ought to compensate Pan American for the additional costs that had been incurred and had not been recouped. Mr. Garni said that he could entirely see the point of this. Mr. Dean said that whatever difficulties he might have had with the Grace directors on certain policy questions, he had always found that in financial discussions they were entirely fair and that he had every confidence that this problem could be settled on a basis that was fair to both companies. Mr. Garni expressed himself as in agreement with the general proposal that there be a penalty for cancellation by Pan American-Grace of the equipment pool arrangement in advance of what [fol. 2939] might be considered a reasonable period. The questions of what the term of the equipment pool arrangement was to be and what penalty there should be on advance termination, were left for handling between the two managements.

3—Mr. Garni said that he would want to have it understood that the equipment pool arrangement was without prejudice to the rights of W. R. Grace or Pan American-Grace in Dockets 779 and 525. Mr. Friendly said he was

puzzled to know just what Mr. Garni meant. On the one hand he entirely agreed that the equipment pool arrangement was not intended to be any waiver or release of any rights or claims of W. R. Grace or Pan American-Grace with respect to the extension to the United States. On the other hand if the equipment pool arrangement became a fact it would be a fact and there was no way in which Pan American could agree to disguise the fact. Mr. Cogswell said that Grace did not want to have the equipment pool arrangement used as an argument in any further proceedings because if it were to be so used it might be cheaper for Pan American-Grace in the long run not to have the arrangement, if the arrangement was going to prejudice its case for an extension in any way.

Mr. Friendly said that he could not follow this line of argument. He said that Pan American had urged for years that an equipment inter-change was perfectly practicable and would accomplish many of the objectives urged by Grace in favor of the extension to the United States. It would be wholly unreasonable for Grace to ask Pan American to agree that when such an arrangement had finally been made, Pan American would not make any reference to its existence. Actually such an agreement would accomplish nothing from Grace's standpoint anyway. The agreement would have had to be submitted to the CAB, everyone could see the planes flying and Public Counsel certainly would not be bound by any agreement between the parties not to refer to the existence of the arrangement. Moreover, from Pan American's standpoint a refusal on the part of Grace to enter into such an arrangement because of the fear that it might work too well would be perhaps an even more helpful argument than the working out of such an arrangement. Mr. Friendly repeated that while there was no desire on Pan American's part to have this agreement operate as any waiver or release by Grace or Pan American-Grace, he would certainly recommend that Pan American not place itself in a position where any reference by it to the workings of the agreement could be charged by Grace to be an act of bad faith.

Mr. Garni agreed that the situation was a difficult one.

Mr. Friendly stated that he felt that there was no great difficulty and that he would not have any particular trouble in working out suitable language with Mr. Gesell or whom-ever else Pan American-Grace might have acting for it in this matter.

The question was left on this basis, it being agreed that Mr. Cogswell would let Mr. Friendly know whether or not Mr. Gesell would act as attorney for Pan American-Grace. Mr. Friendly emphasized the need of expedition from the legal standpoint, pointing out that the matter was one which would have to be submitted for approval to the C.A.B.

/s/ H.J.F.
H.J.F.

[Handwritten Initials—HBD—Balluder—HPM]

[fol. 2940]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 237

April 8, 1946

Mr. Harold J. Roig, President
Pan American-Grace Airways, Inc.
135 East 42nd Street
New York, New York

Dear Mr. Roig:

Mr. Vidal requested me this morning to advise you immediately whether Pan American Airways would have any objection to the sale by Pan American-Grace Airways, Inc. of the two Constellations for which Pan American-Grace has contracted with the Lockheed Company.

It is our judgment that the maximum benefit to Pan American-Grace as a company, and the best service to the public, would be accomplished by Pan American-Grace going through with its commitment to purchase these aircraft and operating them in a pool along with two Constellations owned by Pan American, so as to afford through daily service from Miami to Lima, as outlined in my letter of February 21, 1946 and the accompanying memorandum.

You stated at the meeting last Thursday that the Grace directors were unwilling to consider either this plan or a similar plan involving C-54 equipment, notwithstanding the obvious financial advantages to Pan American-Grace Airways, Inc. In order to give you further time to reconsider this matter, Pan American Airways is willing to confirm to you that if by April 12th, you still insist on selling the two Constellations, we will purchase these, thereby relieving you of your commitment to Lockheed.

Sincerely yours,

s/ HBD
Howard B. Dean
Vice President

bcc: Mr. Trippe-NYK
Mr. Friendly-NYK
Mr. Balluder-NYK

[fol. 2941]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 238

bcc—Vice President & General Counsel
Vice President Gledhill
Vice President & Treasurer
Comptroller
Vice President & Chief Engineer

April 15, 1946

Mr. Harold J. Roig, President,
Pan American-Grace Airways, Inc.,
7 Hanover Square,
New York 5, N.Y.

Dear Harold:

Before leaving for South America Howard Dean asked me to reply to your letter of April 11, 1946.

In view of your unwillingness to consider the operation of either Constellation or C-54 equipment under an inter-

change agreement at the present time, and reserving all our rights in the matter, and to avoid further prejudice to the interests of our joint enterprise, Pan American Airways Corporation is willing to approve of the management of Pan American-Grace purchasing up to three (3) war surplus C-54s at \$75,000 to \$90,000 each, and arranging to convert them at the Douglas factory at a cost of about \$175,000 each,—on the understanding, however, that these planes will be equipped in a manner generally similar to the C-54s which Pan American Airways is having converted, so as not to preclude the possibility of their being pooled with the Pan American planes under an interchange arrangement if one can be worked out at a later date.

With respect to engine overhaul for these aircraft and major overhaul for the aircraft themselves, the situation is as follows: Pan American plans to concentrate overhaul of R-2000-9 engines at Brownsville and of R-2000-11 engines at Miami. We will be glad to undertake the overhaul of those engines for Pan American-Grace at one or the other of those bases, depending upon the type engine to be installed in your planes. We also expect to be able to handle the major overhaul of these aircraft for you at Brownsville, although, of course, we cannot make a commitment of indefinite duration on this subject.

With respect to the Constellations, we will be glad to discuss with your representatives the mechanics of taking over your commitment to Lockheed.

Sincerely yours,

E. BALLUDER

[fol. 2942]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 239

May 31, 1946

Mr. Marshall Skadden

David E. Grant

Legal

Legal

New York

New York

CONTROL BY PAN AMERICAN OF AEROVIAS
NACIONALES DE COLOMBIA (AVIANCA)

HISTORICAL ANTECEDENTS

Pan American acquired its original interest in AVIANCA (then called Sociedad Colombo-Alemana de Transportes Aéreos (SCADTA)) on April 10, 1931, in pursuance of a contract made between Pan American and Dr. Peter P. von Bauer for the purchase by Pan American from him of a 60% stock interest in SCADTA and his commitment to acquire for Pan American up to 5,000 additional shares of the company to be purchased in the open market. The total outstanding shares of SCADTA at that time were 20,000. Pan American acquired from von Bauer 12,000 of his own shares and 4,884 shares purchased through von Bauer in the open market. By the end of April, 1931, Pan American therefore owned 16,884 shares out of the total of 20,000 shares of SCADTA, or a stock interest of 84.42%.

The General Stockholders' Meeting of February 22, 1935 authorized the issue of 10,000 additional shares. By agreement with the other stock interests, Pan American waived, in part, its pre-emptive rights for the purchase of the new stock and in place of exercising such rights for a total of 8,442 shares, it limited its purchase of new shares to 7,200 in order to make a greater number of these new shares available for purchase by the Colombian public. The new shares were disposed of as follows:

Shares

Purchased by Pan American Airways Corporation	7,200
Purchased by Colombian public	1,605
Unsold in the Treasury	1,195
TOTAL	10,000

As a result of the foregoing purchase, Pan American then held a total of 24,084 shares out of a total outstanding of 28,805 shares, or 83.61% of the outstanding stock.

Pursuant to the reorganization of SCADTA in conformity with the desires of the Colombian Government, which included, among other objectives, the change of name of the company to Aerovías Nacionales de Colombia (AVIANCA), and the purchase by SCADTA of all of the assets of a competing company by the name of Servicio Aéreo Colombiano (SACO), a Special Stockholders' Meeting held on June 8, 1940 changed the capital structure of the company by providing for a total of 400,000 shares of authorized capital of the par value of 10 Colombian pesos each, to be distributed as follows:
[fol. 2943]

Shares

For exchange for old shares at the rate of 5 to 1, plus 3 to 1 additional, resulting from capitalization of reserves	240,000
Shares to be issued for payment to SACO for the agreed value of its total assets	60,000
Shares to be subsequently issued by action of the Board of Directors	100,000
TOTAL	400,000

As a result of the foregoing change in capital structure, Pan American received 192,672 shares out of a total of 300,000 shares then outstanding, its stock interest therefore declining to 64.224%.

During the Fall of 1945 arrangements were made, with the approval of Pan American, to sell to the public the

100,000 shares of additional authorized stock in AVIANCA, or as much thereof as the public would purchase. As a result of this sale, Pan American, since approximately the end of 1945, has held and now holds a stock interest of only 48.16%.

In the above historical sketch intermediate changes of par value, and of bearer stock to registered, provision for possible classes of stock and other details of corporate set-up have been omitted, because they are not relevant to the question of control.

SITUATION PRIOR TO STOCKHOLDERS MEETING OF FEBRUARY 23, 1940.

Legal Situation:

During this period Pan American Airways's stock interest, as above noted, ran 84.42% until 1935 and then dropped to 83.61%. The stock at the time was bearer stock. As between the stockholder and the corporation, under Colombian law, the holder of bearer certificates, or the holder of proof of possession of bearer certificates, is the owner and has the right to vote. During all of the interval from 1931 to the stockholders annual meeting of 1940, the great bulk of the Pan American stock was in fact voted by Dr. von Bauer under a legal device which proved constructive physical possession by him of the respective stock certificates. But the actual owner of the majority stock interest was Pan American, and, from the purely theoretical standpoint, Pan American during this period had theoretical control. However, as will be hereafter noted in the analysis of the Factual Situation, Pan American did not control SCADTA during the period mentioned, either through its actual ownership of the stock or otherwise.

The passage of two important Colombian laws during the period prior to March 1940, must, chronologically, be here noted, although the effects of these laws will be discussed hereinafter.

For 1944, Law 58 of 1941. The first of these laws was Law 58 of 1941 creating the Office of Superintendent of Corporations and establishing certain rules for the corpo-

rate administration and government regulation of commercial stock corporations. Among a number of archaic and highly onerous provisions established by this legislation in an attempt to protect minority interests, is the limitation established by Article 28, namely, that no stockholder, regardless of how many shares he may own or represent, may exercise, either directly or by any interposed person, more than 25% of the total votes of the shares represented at a stockholders' meeting.

So great was the protest by local business interests against this law following its enactment that by a subsequent law of the same year, namely Law 134 of 1931 (Art. 88), it was indefinitely suspended. It remained in suspense for about five years, when, by virtue of Article 15 of Law 128 of 1936, it was revived, to become effective September 1st, 1937. Even with the revival, the law remained dormant because the President refrained from exercising his authority to name a Superintendent of Corporations and his assistants. Finally, by Decree No. 1984 of October 10, 1939, the President decreed the existence of the Office of Superintendent of Corporations and proceeded to appoint the key personnel as provided in the original law of 1931.

With respect particularly to the AVIANSA situation, by October 10, 1939, negotiations were already pretty well along towards the nationalization of the then SCADTA company, in line with the desires of the Colombian Government. The writer of this memorandum had already been in Colombia several weeks in representation of Pan American and had discussed the main points of the Government's reorganization program with the President of the Republic, the Minister of War who had just taken office at the time, and the negotiators appointed for the SACO company, whose assets were to be acquired by SCADTA. Anticipating the difficulty which the limitation on the right to vote would have in connection with the nationalization program, Mr. Grant, assisted by Pan American's attorney at Bogotá, and by Dr. von Baer, persuaded the President of the Republic and the Minister of War to sponsor in the Congress a law making an exception, with respect to the restriction on voting rights, in the case of domestic national

companies in which the Government had a stock interest. The law was adopted as Law No. 68 of 1939 and in its Article 2 stated succinctly that the limitation on voting rights established by Article 28 of Law 58 of 1931 should not apply with respect to aviation companies in which the Government had a stock interest. This exception would have applied to SCADTA because by reason of the purchase of the assets of the SACO company for stock of SCADTA (to be reorganized as AVIANCA), and the distribution of this stock to the stockholders of SACO, the Colombian Government would acquire a stock interest in SCADTA of approximately 6%.

Law 89 of 1938—The second of the laws which were enacted prior to February 23, 1940 was the nationalization law for Colombian civil aviation. In effect, the provisions of this law restricted the majority stock ownership of [fol. 2945] domestic commercial aviation companies in Colombia to Colombian nationals. After December 31, 1942, the term originally set by the law for compliance with its provisions, no aviation company could register a commercial plane in Colombia and consequently no such company could operate a domestic service in the country, unless its common stock were owned in a proportion of at least 51% by Colombian nationals, or by Colombian corporations whose stock in turn was owned at least 51% by such nationals. It should be remarked in passing that the term for compliance with the nationalization law was calculated to coincide with the expiration of the operating contract held by SCADTA. This contract actually expired on December 16, 1942.

Factual Situation

As above indicated, the facts surrounding Pan American's ownership of a majority stock interest in SCADTA negate any conclusion that Pan American controlled the company, even before Law 58 of 1931 came into force by virtue of Decree No. 1984 of October 10, 1939. Pan American's contract with von Bauer for the purchase of his majority interest in SCADTA and the arrangements and conditions on which that contract was predicated, called for the following policies:

(a) that the actual interest of Pan American in SCADTA should not be publicly disclosed, because to have disclosed this interest would have reacted immediately to the great prejudice of SCADTA.

At the time of the purchase, the SCADTA company and its management enjoyed great prestige in Colombia. Not only had it given Colombia the first successful commercial airline in the Western Hemisphere, operating without subsidy of any kind, but it had provided a factor of incalculable benefit to the country's economic situation, hampered as this had been for centuries by lack of rapid, adequate and dependable media of communication. Negotiations were pending, which were successfully consummated in a contract in the year 1932, turning over to SCADTA the whole of the administration and operation of the airmail system of the country. Even as early as 1932 there was arising in Colombia a deep sentiment of nationalism with respect to aviation. SCADTA had always been considered by the public and the Government as a Colombian enterprise, founded as it had been by Colombians and a few German residents of Barranquilla in 1919. The Colombian people took great pride in the success of SCADTA and the example of its operations among the American Republics. Colombia was acknowledged as the pioneer of commercial aviation in the Western world. SCADTA had been the recipient of an excellent operating contract and of a great number of other favors at the hands of the Government. To have disclosed its large majority ownership by foreign interests at the time, especially by United States interests when relations between Colombia and the United States were none too cordial, would have been perhaps a fatal blow to the Company's continued progress. This was recognized by Pan American and by Dr. von Bauer; hence, secrecy was deemed the only logical policy in connection with the purchase of von Bauer's holdings.

[fol. 2946] (b) That von Bauer and all of his management were to continue in administrative and technical control of the enterprise. Von Bauer was to consult Pan American in such connections as he thought appropriate, but was not to be controlled necessarily by its advice or preferences. In

Pan American's files are a great number of letters exchanged between von Bauer and Mr. Evan E. Young, on a wide variety of subjects, wherein the advisory spirit of Pan American's intervention is clearly reflected. Instructions and orders were never given; at most, suggestions were conveyed and probably were disregarded as often as followed.

The Board of Directors of SCADTA at that time was composed, in great majority, of the same personnel who had been directors for years under Dr. von Bauer. Of the twelve members on the Board, Pan American at no time had more than three, and these were members of its New York staff, none of them ever resident in Colombia. Liaison, if such existed, was made through the writer of this memorandum, who visited Colombia occasionally and when there attended meetings of the Board. This might have happened once or twice a year. By the fall of 1938, when the Civil Aeronautics Act of the United States went into effect, all Pan American personnel who had been directors of SCADTA resigned, with the exception of the writer who continued until the Annual Meeting in February 1941. The resigning personnel were replaced by Colombians or by officers or employees of SCADTA, or associates of von Bauer, resident in Colombia.

(c) That the policies of SCADTA, its operating personnel and its plans should not be changed or re-adjusted in any way. As a matter of fact, no change or re-adjustment was made in any of these respects until the latter part of the year 1939 when pressure was exerted by the United States Embassy in Bogotá for de-germanizing the SCADTA company. But from 1931 until about the middle of 1939, the General Manager, the operations manager, the chief engineer, the chief pilot, the communications staff, the maintenance staff and, in fact, all of the operation personnel of the company remained as it had been for years past.

Over and above the foregoing policies which were agreed upon between Pan American and von Bauer, the following factors militated against any attempt by Pan American to control SCADTA:

(1) The increasing interest and intervention of the Government in the company and its operations. This was due, in considerable measure, to the Government becoming "air-force minded" and desiring to build up strategic airports over its territory, and to have means of training military pilots. As a matter of fact, a contract with a subsidy had been authorized for SCADTA by the Government as early as 1924, contemplating the establishment of an aviation school for the training of pilots.

Another reason for the Government's increasing interest in SCADTA was the rising sentiment of nationalism in regard to domestic aviation, to which reference has already [fol. 2947] been made. Between 1934 and 1938 several attempts were made to formulate a domestic aviation law, which culminated in Law 89 of May 26, 1938, in force today, nationalizing domestic airline enterprises. As an element of this growing nationalism, there were powerful advocates in Colombian political and legislative circles, as early as 1936, of the Government's taking over SCADTA. Articles and editorials on SCADTA appeared profusely on the front pages of the leading newspapers of the country. Reporters were incessantly investigating the company and its business, as well as interviewing its officials. In such circumstances and under such scrutiny, it would have been extremely difficult to have hidden Pan American's control, should Pan American have attempted to exercise it even by a relatively unimportant change in the company's officers, directors, policies or plans.

A striking example of the absence of control by Pan American in the affairs of SCADTA during the period under review was the secret contract entered into between the Colombian Government and SCADTA in the year 1938, when war with Peru over the Leticia dispute was imminent. The contract virtually made SCADTA, its airports, facilities, equipment and pilots, the official air force of the Colombian army. Although Dr. von Bauer confidentially communicated the fact of the negotiations to Pan American and the consummation of the contract, Pan American exercised no control in authorizing or vetoing it. Pan American's preference in the matter would obviously have been

against jeopardizing the whole of its investment in a military enterprise. Yet the contract was not only entered into but performed, up to the point of readiness for military action by SCADTA in the event of war with Peru. The controversy was settled and hence further action by SCADTA was rendered unnecessary.

(2) Another factor which negatives the idea of control by Pan American during the period under review is the character of Dr. von Bauer and his co-workers. These gentlemen had virtually founded the enterprise; had pioneered its development in the face of enormous physical obstacles; knew intimately Colombia's topography, climate, economy and population. They were men of strong will and fixed ideas. They would never have taken kindly to any attempt by Pan American to supersede their own experience or knowledge of Colombian aeronautic conditions and requirements. Indeed the writer, from his acquaintance with these men, might venture the suggestion that they would have treated any such attempt by Pan American with ill-concealed contempt. Pan American's executive and technical staff were cognizant of the specialized knowledge of SCADTA's officers, and did not interfere in their operating or administrative technique, beyond suggestions and assistance, on the request of SCADTA, towards modernization of methods, facilities and equipment.

(3) A further factor which is indicative of Pan American's absence of control is that at no time prior to March 1940 did SCADTA utilize the services of Pan American's legal counsel in Colombia. As a matter of fact, the officers of SCADTA were barely acquainted with him and he knew the directors only by reputation. SCADTA maintained its own legal department, while both in Barranquilla and in Bogotá it had outside counsel, under retainer who were [fol. 2948] neither selected nor approved by Pan American. These attorneys owed no obligation whatever to Pan American, and on a number of occasions they manifested a distinct national bias in favor of SCADTA as against Pan American.

SITUATION FROM FEBRUARY 23, 1940 TO MARCH 1946.

The division of periods before and after February 23, 1940 is made by the writer because the Stockholders Meeting of 1940 marked a radical change in the corporate set-up, the management and the policies of SCADTA as well as in the relations between Pan American and that company. The so-called Medellin agreement of October 26, 1939 had been signed, embodying the desires of the Government for the eventual nationalization of the company, its change of name, its acquisition of the assets of SACO and preparation for the acquisition by the Government and/or by Colombian nationals of a majority stock interest. The fact of Pan American's ownership of a 64.224% stock interest in the company was now public.

The pressure by the United States Embassy for complete de-germanization of the enterprise had reached its maximum and the Government of Colombia was ready to cooperate in the program, although not yet ready to go to the extremes advocated by the American Embassy.

Legal Situation:

As noted above, Law 58 of 1931 was now fully applicable to corporations. The only exception was that embodied, in favor of aviation companies in which the Government had an interest, in Art. 2nd of Law 68 of 1939. At the SCADTA Stockholders Meeting of February 23, 1940 it was resolved to approve the negotiation whereby SCADTA had acquired the assets of SACO; but when it came to authorization of an increase of the capital stock of SCADTA for the payment in shares of the SACO assets, counsel called the attention of the meeting to the fact that the necessary 2/3 vote for the increase of the capital could not be given, because under Law 58 of 1931 Pan American could vote only 25% of the total votes represented (although it actually held a stock interest of 64.224%) and because the exception provided by Art. 2nd of Law 68 of 1939 could not be invoked because the Government had not yet acquired a stock interest in SCADTA.

Pan American, represented at the meeting by its Vice President, Mr. Rihl, was therefore unable to obtain passage of its resolution to authorize the increase of capital stock, since it could not muster the necessary $\frac{2}{3}$ vote under the by-laws, notwithstanding its holding 64.224% of the stock and having on its side a very considerable percentage of additional votes.

Directors of the company were not elected at the Stockholders Meeting of February 23, 1940 because the directors had been elected for a two year term, pursuant to the by-laws, at the Stockholders Meeting of 1939.

The real test of Pan American's control of AVIANCA came at the Annual Meeting of the stockholders in March [fol. 2949] 1941. At that meeting two issues were to be determined; first, the amendment of the by-laws to effect a change of the corporate domicile of AVIANCA from Barranquilla to Bogotá, as determined by Pan American to be necessary for the development of the company. This transfer would involve the transfer also of the office of the President and of the heads of department. The second issue was the matter of electing a Board of Directors from among prominent business men of Bogotá instead of Barranquilla so that meetings of the Board might henceforth be held in Bogotá.

For the purposes of this memorandum, it is not necessary to recount the amazing details of the violent popular uprising in Barranquilla when the notice of the Annual Meeting was published, carrying the intention to transfer the company's domicile and headquarters to Bogotá. Suffice it to say that popular agitation on the question paralyzed for nearly a week the business activities of a city of 200,000; that it required the services of the police and the army to protect the AVIANCA premises and the persons of the Pan American officials who were present to vote at the meeting; and lastly, that the United States Ambassador made a special trip to Barranquilla to investigate the situation.

At the Stockholders Meeting itself, Pan American's right to vote this change was directly challenged, on the

basis of Art. 28 of Law 58 of 1931. Pan American's representatives then attempted to apply the exception provided by Art. 2nd of Law 68 of 1939, because by that time the Colombian Government had acquired a small interest in AVIANCA through its receipt of AVIANCA stock in the SACO assets purchase transaction. The question was referred to the Superintendent of Corporations at Bogotá, the Stockholders Meeting being adjourned until he could reply. The Superintendent sent a representative to the meeting. This representative, to the astonishment of Pan American's representatives, expounded to the meeting the interpretation by the Superintendent of Art. 2nd of Law 68 of 1939, to the effect that the exception established by that Law was meant to run *in favor of the Government*, as a stockholder, and *not in favor of private parties*. Despite hours of argument and contention between Pan American's representatives and the representative of the Superintendent of Corporations, he maintained his position and refused to recognize Pan American's right to vote beyond 25% of the stock represented. The only recourse would have been to challenge the interpretation by court action, meaning appeal to the competent courts at Bogotá and eventually to the Supreme Court.

In the face of this situation, Pan American was unable to change the corporate domicile of the company to Bogotá. Furthermore, it was unable to elect its own Board of Directors but had to effect a compromise whereby the minority element retained a majority of the Board in Barranquilla. By means of this compromise, the Board was elected by unanimous vote; hence the question of 25% did not arise.

Since that date to the actual date in 1945 when Pan American's stock interest dropped to its present 48.16%, Pan American was unable to elect a Board of Directors of [fol. 2950] its own choosing nor otherwise to control the company. The interpretation made by the Superintendent of Corporations of Art. 2nd of Law 68 of 1939 was never judicially challenged, and governed the Stockholders Meetings through March 1946.

Factual Situation:

Since the Stockholders Meeting of March 1941, the Board of Directors (seven in number) have always been Colombians, both principal directors and their alternates. They are all prominent and independent business men of Bogotá or Barranquilla, with whom Pan American had no ties either of business or of friendship. The only member of the Board connected with Pan American has been its Bogotá attorney.

AVIANCA has had at all times a separate Legal Department, whose personnel are known personally only to ex-Vice President Rihl and the writer of this memorandum. Its outside Counsel have also been independent, without any ties to Pan American, and have been known personally only to the writer, although Mr. Rihl did know personally one of AVIANCA's outside Counsel in Bogotá until the latter's death in 1945.

The President of AVIANCA, who was elected at the Annual Meeting of March 1941, is a Colombian native of notoriously independent mind. He has consistently followed a policy of his own in the management of the company and Pan American's intervention has been solely in an advisory capacity.

The Government's intervention in the affairs of AVIANCA is now a matter of course. Reports are frequently requested by the Superintendent of Corporations as well as by the Director of Civil Aeronautics. At every stockholders meeting, the Superintendent has a representative present who does not hesitate to enter into the deliberations. The Government, since March 1941, has had two Directors out of seven on the Board neither of whom has ever been connected or even acquainted with the officers of Pan American.

PRESENT SITUATION

Since the fall of 1945 Pan American stock interest has dropped to 48.16%. Under Colombian law and under the by-laws of AVIANCA, it takes a majority vote to pass resolutions. Pan American obviously cannot muster alone

this majority vote. Moreover, the interpretation against its ability to vote more than 25% of the shares represented at a stockholders meeting, still stands, so that its position is that of a relatively small minority.

The Board of Directors continues to be composed of prominent and independent Colombian business men, residents of Bogotá, who do not hesitate to apply their own policies and ideas in the management of the company.

[fol. 2951] The President of AVIANCA continues to be Dr. Martín del Corral who works with his Board closely and, more than ever, exercises vigilance for the interests of AVIANCA and not necessarily those of Pan American.

The prospects and plans of AVIANCA, in the face of present strong local competition, have lost all semblance of consideration for the prospects and plans of Pan American. AVIANCA is in every respect an autonomous Colombian enterprise, taking care of its own interests first, in the competitive struggle now going on in inter-American air transport.

CONCLUSIONS:

From the foregoing statement of the legal and factual considerations bearing upon the question treated in this memorandum the following are the only reasonable conclusions:

(1) That from Pan American's original acquisition of a stock interest in SCADTA in 1931, through the Stockholders Meeting of 1940, the circumstances were such as to preclude control by Pan American and that Pan American in fact never exercised such control;

(2) That the situation, both legal and factual, from the Stockholders Meeting of 1940 until Pan American's stock interest dropped under 50% in the fall of 1945, was such that Pan American could not have exercised control, not even a "negative" control, because in effect it had a relatively small minority interest, and faced unsympathetic elements within and without the company;

(3) That under the present situation, no such control is possible either legally or in fact because Pan American has

no majority stock interest by reason of its ownership of only 48.16% of the stock, nor can it exercise any form of negative control because it actually has only a maximum of 25% of the voting rights at any stockholders meeting, this proportion being insufficient to block any action whatever on the part of the majority stockholders.

David E. Grant

DEG:BD

CCs: Vice President Friendly
Vice President Balluder

[fol. 2952]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 240

[Handwritten notation—Original]

BEFORE THE
CIVIL AERONAUTICS BOARD

Docket No. _____

IN THE MATTER OF
AN AGREEMENT BETWEEN
PAN AMERICAN AIRWAYS, INC.
and

PAN AMERICAN-GRACE AIRWAYS, INC.

Dated July 30, 1946

PETITION OF PAN AMERICAN AIRWAYS, INC.

Communications with respect to this petition should be sent to:

HENRY J. FRIENDLY
Vice President and General Counsel
Pan American Airways, Inc.
135 East 42nd Street
NEW YORK, NEW YORK

Dated: August 1, 1946

[fol. 2953]

BEFORE THE
CIVIL AERONAUTICS BOARD

Docket No.

IN THE MATTER OF
AN AGREEMENT BETWEEN
PAN AMERICAN AIRWAYS, INC.

and

PAN AMERICAN-GRACE AIRWAYS, INC.

Dated July 30, 1946

The petition of PAN AMERICAN AIRWAYS, INC. therein after referred to as PAA respectfully shows to the Board as follows:

1. PAA is a corporation organized and existing under the laws of the State of New York. PAA holds various certificates of convenience and necessity for routes between the continental United States and the Canal Zone.

2. Pan American-Grace Airways, Inc. hereinafter referred to as Panagra is a corporation organized and existing under the laws of the State of Delaware. Panagra holds a certificate of convenience and necessity for a route between the Canal Zone and various points in South America.

3. A substantial amount of the passenger, air express, mail and cargo traffic proceeding between the continental United States and the Canal Zone originates at or is destined to points on Panagra's certificated route in South America.

4. Various foreign-flag and other American-flag carriers are about to begin operations between the continental United States and countries of South America which Panagra is certificated to serve. The service contemplated by

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such carriers will be through one-plane service without a requirement of change of plane at the Canal Zone.

5. A controversy has existed between the parties and between Pan American Airways Corporation and W. R. Grace & Co., the owners of the stock of Panagra, with respect to the filing by Panagra of an application for an extension of its own route from the Canal Zone to the continental United States. This controversy is reflected in the Board's Dockets 525, 707, 744 and 779, the last-mentioned of which is now pending on writ of certiorari in the Supreme Court of the United States.

6. In order to provide, on a long-term basis, through one-plane service between points on Panagra's certificated [fol. 2954] route in South America and points on PAA's certificated routes in the United States for the greater convenience of the traffic and shipping public, to enable themselves to compete more effectively with the foreign-flag and other American-flag carriers which are about to commence operations between the continental United States and points on Panagra's certificated route in South America, and to settle the controversy between them, PAA and Panagra have entered into an agreement dated July 30, 1946, a copy of which is attached hereto marked "Exhibit A" and made a part hereof, and W. R. Grace & Co. and Pan American Airways Corporation have entered into an agreement also dated July 30, 1946, a copy of which is attached hereto marked "Exhibit B" and made a part hereof.

7. The agreement between PAA and Panagra, a copy of which is attached as Exhibit A, constitutes a cooperative working arrangement within the meaning of Section 412 of the Civil Aeronautics Act. The agreement between W. R. Grace & Co. and Pan American Airways Corporation, a copy of which is attached as Exhibit B, is not deemed to be within the purview of any provision of the Act but is submitted for the information of the Board since it relates to the subject-matter of the agreement between PAA and Panagra and its effectiveness is dependent upon the approval of said agreement.

WHEREFORE, petitioner respectfully prays that the Board make and enter an order approving the aforesaid agreement between PAA and Panagra dated July 30, 1946, under Section 412 of the Civil Aeronautics Act and such other sections of the Act, if any, as may be applicable thereto, and that the Board shall grant such other, further and different relief as to it may seem just and proper.

PAN AMERICAN AIRWAYS, INC.

By /s/ HOWARD B. DEAN
Howard B. Dean
Vice President

[fol. 2955]

STATE OF NEW YORK, }
COUNTY OF NEW YORK, } ss.:

HOWARD B. DEAN, being first duly sworn, deposes and says that he is Vice President of Pan American Airways, Inc., a New York corporation; that he is duly authorized to sign the foregoing application and has read and is familiar with the contents thereof; that he intends and desires that in granting or denying the prayer of said application, the Board shall place full and complete reliance upon the accuracy of each and all statements made therein; that he is familiar with the facts set forth in said application, and to the best of his information and belief every statement made therein is true, and no statement is misleading.

/s/ HOWARD B. DEAN
Howard B. Dean

Sworn to and subscribed before me,
a Notary Public in and for the
County and State of New York, this
1st day of August, 1946.

/s/ PHYLLIS E. DISTLER

PHYLLIS E. DISTLER, Notary Public
Queens County, N. Y.

Queens County Clerk's No. 3194

New York County Clerk's No. 377

Register's Office, N. Y. Co. No. 346-D-7

Commission Expires March 30, 1947

[fol. 2956]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 241

(Letterhead of Pan American World Airways System,
New York 17, N. Y.)

[Handwritten notation—Correspondence File 2114.41]

August 19, 1946.

Hon. James M. Landis, Chairman,
Civil Aeronautics Board,
Washington 25, D. C.

Dear Sir:

Since the decision of the Circuit Court of Appeals for the Second Circuit remanding the Panagra Terminal Investigation, Docket 779, for further proceedings before the Civil Aeronautics Board and the order of the United States Supreme Court of June 10, 1946 granting a writ of certiorari to review that decision, agreements have been reached between W. R. Grace & Co. and Pan American Airways Corporation and between Pan American Airways, Inc. and Pan American-Grace Airways, Inc. (Panagra) which, upon becoming effective, will dispose of the controversy between Pan American and W. R. Grace & Co. which gave rise to CAB Docket 779 as well as to CAB Docket 707 and 744.

On August 5, 1946, Pan American Airways, Inc. filed an application under Section 412 of the Civil Aeronautics Act for approval of the Pan American-Panagra agreement. The agreement between Grace and Pan American Airways Corporation was also annexed to the application for the information of the Board since it relates to the subject matter of the agreement between Pan American and Panagra and its effectiveness is dependent on the approval of such agreement. Paragraph 6 of the Grace-Pan American agreement provides:

"6. *Pending Litigations* The parties will forthwith make suitable application to the Supreme Court of the United States and to the Civil Aeronautics Board requesting that the proceedings now pending in the said Court and before the said Board relating to the con-

controversies between them shall be kept in *statu quo* until the Civil Aeronautics Board shall have made a final order in the proceeding relating to the Panagra-PAA contract contemplated by paragraph 20 thereof and, if a timely proceeding to review any such order shall be instituted, until such proceeding for review shall have been finally determined. Upon an order of the Civil Aeronautics Board approving said contract having been made and become final, the parties will make appropriate applications for the dismissal of all such proceedings."

Under the terms of these agreements, the subject matter of the controversies presented in CAB Dockets 779, 707 and 744 will be disposed of and application for dismissal [fol. 2957] made both by Pan American and by Grace upon the Panagra-Pan American agreement being approved by order of the Civil Aeronautics Board and such order becoming final. It is respectfully requested, therefore, that CAB Dockets 779, 707 and 744 be kept in *statu quo* until the Board shall have made a final order in the proceeding relating to the Panagra-Pan American agreement and any timely review of such order finally determined.

Very truly yours,

/s/ HENRY J. FRIENDLY
Counsel for Pan American Airways
Corporation and Pan American
Airways, Inc.

CAHILL, GORDON, ZACHRY & REINDEL
Counsel for W. R. Grace & Co.

Pan American-Grace Airways, Inc.
joins in the foregoing request.

/s/ GERHARD A. GESELL
Counsel for Pan American-Grace
Airways, Inc.

Copies to all parties.

BEFORE THE
CIVIL AERONAUTICS BOARD

Docket No. 2423

IN THE MATTER
of
AN AGREEMENT
between
PAN AMERICAN AIRWAYS, INC.
and
PAN AMERICAN-GRACE AIRWAYS, INC.

REPLY BRIEF FOR
PAN AMERICAN-GRACE AIRWAYS, INC.

GERHARD A. GESELL,
CHARLES M. DAVISON, JR.,

Covington, Burling, Rublee Acheson
& Shorb,
701 Union Trust Bldg.
Washington 5, D. C.

*Counsel for Pan American-Grace
Airways, Inc.*

November 25, 1946

[fol. 2959]

II.

Docket 779 does not establish any facts which support the contention that the Through Flight Agreement is contrary to the Public Interest.

The most outstanding fact disclosed uniformly by the briefs submitted by intervening airlines is the complete inability of these intervenors to find any substantial basis for attacking the merits of the Through Flight Agreement as such.* Intervening airlines do not dispute the evidence summarized in Panagra's main brief establishing the advantages to the public which will be provided by the single plane through service between the east coast of the United States and the west coast of South America made possible under the agreement. Nor do these intervenors seriously assert that the economy and efficiency of Panagra's services will not be substantially improved. Moreover, they seem to recognize, by the very tenor of their argument, that the agreement places Panagra in a position to compete with them and others on more even terms.

Intervening airlines in seeking a basis for opposing the agreement attempt to avoid consideration of its terms and public benefits by attacking the parties to the agreement, their motives and their past relations. By making a wholly improper use of isolated bits gleaned from the evidence in Docket 779 these intervenors have sought to create a false picture of Panagra's operations and Panagra's relations with its parent companies. It is asserted Docket 779 establishes that Grace and Pan American Corporation can never reconcile their differences, that their relationship is "inherently bad", that the agreement will not work, that Panagra's interests will be subordinated to the monopoly designs of Grace on the one hand and Pan American on the [fol. 2960] other, and that accordingly Panagra in its own interest should not be allowed to proceed with the Through Flight Agreement.

* Public Counsel does raise certain points concerning various provisions of the agreement, but under the stipulation these cannot be dealt with here, and accordingly Panagra's position will be presented at oral argument.

While there is no factual support for these arguments, the Board will, of course, recognize that intervening airlines are not actually concerned with Panagra's welfare. Certainly Braniff is anxious to see Panagra wither and die on the vine so that its new South American routes may be developed without the annoyance of strong American flag competition. Certainly Eastern is anxious to have its routes extended first to the Canal and presumably, when times are propitious, further south, to skim the cream of the Latin American traffic passing between the east coast of the United States and principal points on the west coast of South America. While the position of National, Chicago and Southern, and Colonial is none too clear, they also enter this proceeding not for the purpose of determining what is best for Panagra's welfare or in the public interest but of preventing any action by Panagra which will impinge upon the successful carrying out of their own commercial plans. These carriers in various ways, and notably Eastern have at all times sought to block Panagra and to prevent it from having an opportunity for normal growth and healthy development. And it is small comfort indeed that Public Counsel now feels Panagra should rely on Docket 779 when attorneys for the Board and for Eastern so vigorously opposed any court order which would even support the Board's jurisdiction to direct an extension.

The arguments based on Docket 779 require little discussion to demonstrate that they are completely unsupported by the facts:

(A) The controversy which led to Docket 779 has been settled and the aggravating cause of earlier deadlocks has been permanently eliminated.

Intervenors' briefs reflect a keen disappointment that Panagra's parents and Panagra and PAA have reconciled the past difference of opinion which has existed concerning [fol. 2961] Panagra's operations north of the Canal and that the controversy is now at an end. Drawing on Docket 779 they seek to magnify the nature of that controversy beyond all proportion to the established facts and then despair because a controversy which they have concocted

out of whole cloth is not in all its aspects disposed of to their satisfaction. It is even suggested that there is something unhealthy and immoral in the fact that the controversy has been settled. Intervenors apparently hope to keep the controversy alive because its existence seems to give them more assurance that they will obtain their particular route ambitions.

While the advantages of the Through Flight Agreement, from the point of view of the public interest, do not in our opinion hinge upon whether or not the controversy is settled, the fact is that the controversy is at an end. The parties themselves, who certainly must have some familiarity with the subject matter, assert this to be the case (Tr. 249-251, 537-8), and the record establishes beyond doubt the validity of this contention.

The "inherently bad" situation to which the Board referred in its opinion arose out of the fact that deadlocks in the Board of Directors occurred because of the controversy concerning the extension of Panagra north of the Canal. This controversy has not only been terminated by eliminating the cause for deadlocks but excellent machinery has been provided under the contracts for disposing of questions which on previous occasions led to misunderstanding (Tr. 68, 111, 112). The "inherently bad" situation can no longer fairly be said to exist. Not only has Panagra, except for this one issue, grown and developed with harmony among its directors and with great singleness of purpose but there is no reason to believe that the situation will change in the future. Even in the heat of Docket 779 both Mr. Roig and Mr. Trippe repeatedly testified to the fact that serious disputes in Panagra's Board of Directors have for many years been almost entirely confined to the single extension issue and related problems (Docket 779, Tr. 759-760, 1194, 2467-2469). They made clear that on other questions the Directors have proceeded in complete agreement and that the operations of the company benefitted from the contribution to its development made by each parent (Docket 779, Tr. 754, 1558-59). This fact was again emphatically affirmed in this proceeding (Tr. 362-5, 509-10, 441, 442).

Mr. Roig testified in Docket 779:

"Q. Mr. Roig, is it your opinion that Panagra's history has been one of development and progress from the beginning?

"A. Well, I think the record shows it and if you like I would run over some of the steps that have been taken since.

"Q. I am going to take up that in a moment, but I am going to ask you two more questions along that line. There have been differences in the Board of Directors, have there not, on the various steps in this program of development and progress that you mention?

"A. There have on some of the steps but it would be a great mistake if anyone got the impression that there has been a difference of opinion on everything that happened.

"Q. As a matter of fact, Mr. Roig, on all the questions up to the instant one, the extension to the United States, the differences have been resolved, have they not?

"A. With the exception of the terminal in the United States and the publicity question, we have reached a conclusion among ourselves, yes, on all these questions.

"Q. Leaving aside the publicity question for the moment, and also, of course, the instant question, which is for the Board to consider, these differences have not been permitted to block the steady progress and development of which you speak, in your opinion, have they, Mr. Roig?

"A. Well, except to the extent that the present controversy has blocked for some years our coming to the United States, and that publicity may have had some bearing, I don't think very direct. The very fact that those other matters have been settled and that they have been in number relatively few, shows that they have gone on, and that isn't a matter of [fol. 2963] opinion, the record shows it." (Docket 779, Tr. 759-760)

So extreme are the contrary contentions of certain intervening carriers as to the nature of the disputes which they claim exist in Panagra's management that one is forced to believe that these carriers, each dominated by a single individual, mistake healthy discussion for bitter conflict. There is nothing which Panagra has to apologize for the fact that it has a real and functioning Board of Directors. Its directors have not always unanimously agreed, or for the fact that for short periods of time various directors have held staunchly to a particular viewpoint on a question as to what was best for the future of the company. That Panagra's directors and personnel have in the past not always agreed as to what was the best equipment to buy, where a route should go, or how a particular policy should be implemented is a good thing, not a bad thing. These questions have been discussed, ironed out and settled, Panagra benefiting by the discussions. Indeed, Mr. Roig, Panagra's President, points with pride to the fact that healthy discussion of important matters before the company is encouraged.

Nor is there anything unusual in the fact that Panagra is a fifty-fifty company. This form of corporate organization is well-known throughout American business, particularly in the transportation field (Tr. 573-4). Corporations having two shareholders who each hold an equal amount of stock have prospered in the past and will prosper in the future. There is nothing mysterious or improper about such a company, and we feel certain that the Board at no time intended to say that a fifty-fifty ownership of an airline was undesirable or "inherently bad".

(B) Docket 779 does not support the claim that the Through Flight Agreement is unworkable.

For some reason which we are unable to fathom, intervening airlines contend that Panagra and PAA have entered into the Through Flight Agreement in a state of hopeless [fol. 296'] despair, with no intention of carrying it out and in full agreement in advance that it is unworkable. The contention is made (again with great force but with no

factual support) that the parties have previously taken the position in their discussions that an agreement of the type here proposed is unworkable. This is absurd, as is reflected by other arguments of Intervenorors themselves, who in other sections of their brief point with horror to the serious competition which the successful functioning of the agreement will create in the future.

What are the facts with respect to past interchange discussions as clearly shown by Docket 779? Simply and succinctly they are these: Mr. Roig in the past repeatedly refused even to give serious consideration to a Pan American proposal of mere equipment interchange arrangement under which PAA's planes would also fly over Panagra's routes, a proposal which was indefinite as to starting date or the nature and extent of services to be rendered, which was purely optional and placed no obligations upon either party, and which provided no basis for Panagra sending its crews to the United States or establishing training and maintenance facilities there (Docket 779, Exhibit G58, Tr. 934-937 and Docket 2423, Tr. 266-269). Such an agreement was never entered into in the past and would not be entered into today (Tr. 269). It would be unsuitable under many headings, it would not dispose of the basic extension question and would be wholly unworkable, but such an agreement is not the agreement before the Board. In fact a straight interchange arrangement was not even suggested during the negotiations leading to the Through Flight Contract (Tr. 590-91).

Mr. Roig clearly explained the substantial differences between earlier proposals and that embodied in the Through Flight Agreement (Tr. 266-269).^{*} The agreement before the

^{*} The testimony of Mr. Roig in Docket 779 quoted at page 37 of Eastern's Brief is incomplete and as a result wholly distorted as Mr. Roig himself demonstrated (Tr. 263). This is a revealing example of Eastern's unprincipled use of the Docket 779 record.

[fol. 2965]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 243

BEFORE THE
CIVIL AERONAUTICS BOARD

Docket No. 2423

IN THE MATTER
of
AN AGREEMENT
between
PAN AMERICAN AIRWAYS, INC.
and
PAN AMERICAN-GRACE AIRWAYS, INC.

REPLY BRIEF FOR PAN AMERICAN AIRWAYS, INC.

HENRY J. FRIENDLY,
FOWLER HAMILTON,
CLEARY, GOTTLIEB, FRIENDLY & COX,
52 Wall Street,
New York 5, New York
*Counsel for Pan American Air-
ways, Inc.*

November 25, 1946

[fol. 2966]

POINT III

Old Controversies Between Pan American and Grace Referred to in the Record in Docket No. 779 Do Not Make the Contract Contrary to the Public Interest.

Eastern argues that previous difficulties between Panagra's parents render the contract adverse to the public interest (Eastern's Br., pp. 35-39). This argument is not sound either as a matter of fact or of logic.

By culling bits and pieces from the record in Docket No. 779, Eastern seeks to convey the impression that there have always been numerous serious controversies between Panagra's parents as to the conduct of its affairs. Such an impression is wholly contrary to the fact. Docket No. 779 was a keenly contested proceeding, but it is apparent even from the record there that the one basic controversy between Panagra's parents related to the question of extending Panagra to the United States. Thus, Mr. Trippe testified in that proceeding that during Mr. Roig's tenure as President of Panagra, the only issues upon which the parents had differed to any considerable extent were:

(1) The extension of Panagra to the United States including the related interchange question, and

(2) Whether Panagra should have five or three DC-4's (Docket No. 779, pp. 2167-2169).*

In the present proceeding, both Mr. Roig and Mr. Friendly have testified that, except as to the extension issue, the parents have successfully and effectively worked together on innumerable Panagra problems. In fact, it is this that has made possible the growth and development of Panagra into [fol. 2967] a vigorous and successful airline operation over one of the most difficult routes in the world. The testimony of these two witnesses leaves no doubt that the contract settles the only basic difference between Panagra's parents,

* In Docket No. 779 witnesses both for Pan American (Trippe, pp. 1558-1559) and for Grace (Roig, p. 754) testified that the other parent had made invaluable contributions to Panagra.

and thus gives assurance of harmonious relations between them in the future (Roig, pp. 441-442; Friendly, pp. 537-538).

Quite apart from the uncontradicted evidence in this case that the contract settles this controversy between the parents and that no others exist, the whole of Eastern's argument that the contracts are against the public interest because controversies may conceivably arise between Grace and Pan American in the future is beside the point.

Eastern's contention on this score comes in the end to the proposition that no contract settling the Panagra problem can be in the public interest because of a possibility of disputes between Panagra's parents in the future. This implies that no compromise can be effective merely because it is a compromise. The fallacy is apparent.

Moreover, even if there were present, as there is not, some basis from which it could be contended that disputes affecting Panagra may arise in the future between Pan American and Grace, this would not be any reason for disapproving these contracts now when admittedly no such controversies exist. Assuming for the sake of argument that, as Eastern contends (Eastern's Br., pp. 35-39), past disputes between Panagra's parents have been adverse to the public interest, it would necessarily be in the public interest that such disputes should be settled. Whatever its conclusion might be, continuance of the litigation in Docket No. 779 affords far less prospect of a healthy and workable arrangement than a compromise which the parties have voluntarily made. Finally, if it should appear at any time that differences have arisen between Pan American and Grace that jeopardize the public interest either in the through flight service provided by the agreement or in any other way, the Board can withdraw its approval of the contract.

3048

[fol. 2968]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 244

[Handwritten notation—To GO at BA—3/14/47]

MEMORANDUM

TO Vice President Balluder

DEPT.
OR DIV. Executive

LOCATION New York

FROM Vice President

DEPT.
OR DIV. Latin American

LOCATION Miami

DATE: February 27, 1947

SUBJECT: DISTRIBUTION OF ARGENTINE COMPANY EXPENSE BETWEEN PAA AND PANAGRA

REFERENCE:

The attached analysis is a breakdown of the January 1947 expenses of the Argentine company, showing the allocation of the expense between Panagra and PAA following more or less the formula proposed by Mr. Smith; but with additional refinements, in view of the substantial sum involved.

The payroll was broken down into the various sectional functions which exist in the organization so that the work performed for each of the PAA and Panagra physical locations could be distributed on the basis of the payroll. The expense of each payroll section was distributed to the four physical locations, i.e., work performed by the Argentine company for PAA and Panagra outside of Buenos Aires, which is charged directly to each company, work performed for the Moron Airport charged to Panagra for sharing under the Joint Facilities arrangement, and the balance of the work performed exclusively for the Argentine company, which is actually the revenue producing expense.

The following is the basis which was used for the distribution of each sectional expense:

1. The Administrative and Legal sections were both distributed on Mr. Smith's determination of the equitable percentage attributed to the four physical locations.
2. The Personnel and Payroll sections were distributed on the basis of the number of employees assigned to each of the physical locations. The work of these sections is directly in proportion to the volume of personnel on the payroll.
3. Accounting and General employees were distributed on the basis of the total expense, which was developed for each expense center as their work is directly dependent upon the dollar volume handled.
4. The Moron Airport and Passenger Service sections were directly assigned to Moron expense for further proration under the Joint Facilities arrangement.
5. The Asuncion section was likewise directly charged to PAA, and the four Panagra Argentine agencies were directly charged to that company.
- [fol. 2969] 6. The Invoice Control, Customs Brokerage, and Purchasing sections were distributed on Mr. Smith's evaluation of the services performed, which was 90% to Moron and 10% to the revenue producing section.
7. Revenue Accounting, Traffic and Sales, Express, and Publicity and Advertising were assigned 100% to the revenue producing expense section together with the direct expense which could be determined entirely for this section.

Under this formula the percentage of the net Argentine company expense (after deducting Panair do Brasil's commission) for PAA will be approximately ~~45.70%~~ 43.70 as compared to 55.21% and 59.28% under the respective proposals of Messrs. Smith and Brock.

The reduction in the PAA percentage is attributable to the allocation of the direct expense to the account of PAA and Panagra, and the transfer of the Ticket Office cashiers from the Accounting Department to the revenue producing expense as these employees work exclusively in the Ticket Office and the allocation of the expense to the Moron Airport to cover work performed by the Argentine company for that location which is shared by PAA under the Joint Facilities arrangement. The allocation to the Moron Airport should be divided between PAA and Panagra on the ton landings without any overhead being allocated by either company.

/s/ W. L. MORRISON
W. L. Morrison

[Handwritten notation—NOT comparable!]

[fol. 2970]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 245

SUMMARY OF DISTRIBUTION OF ARGENTINE COMPANY EXPENSE

GRAND ARGENTINE COMPANY EXPENSE	\$ 97,570.13
Less:	
Expenses Chargeable to MORDM	13,504.66
F & B Commissions	<u>34,113.00</u>

Sub-Total	\$ 69,952.47
-----------	--------------

Less:	
P & A Direct Expense	2,112.43
Panagra Direct Expense	<u>4,570.63</u>
Net Expense to be prorated between PAA and Panagra on Dollar of Sales Ratio	\$ 63,267.16

PAA Sales	\$ 1,002,425.00	54.30%	\$ 34,354.07
Panagra Sales	<u>843,717.00</u>	45.70%	<u>28,913.09</u>
TOTAL	\$ 1,846,142.00	100.00%	<u>\$ 63,267.16</u>

PAA Direct Expense	\$ 2,112.43
PAA Prorated Expense	<u>34,354.07</u>
PAA TOTAL EXPENSE	<u>\$ 36,466.50</u>

(52.13% of Net Argentine Company Expense)

~~STATEMENT OF ACTIVITIES OF ARGENTINE COMPANY, INC.~~~~ARGENTINE COMPANY REVENUE~~~~Less:~~~~PAA DIRECT REVENUE
PARAGUAY DIRECT REVENUE
REVENUE CREDITS TO REVENUE~~~~NET REVENUE TO REVENUE PROCEEDS
EXPENSES~~~~Less:~~~~PAA COMMISSIONS~~~~NET REVENUE TO BE PROCEDED REVENUE
PAA AND PARAGUAY ON DOLLAR OF SALES RATE~~

PAA SALES \$1,000,000.00
 PARAGUAY SALES \$1,727.00
 TOTAL 1,001,727.00

34,305
 48,705

0 34,305.00
 48,705.00
 83,010.00

PAA DIRECT REVENUE
 PAA PROCEDED REVENUE

PAA TOTAL REVENUE

(48,705 of Net Argentine Company Expense)

0 34,305.00
 48,705.00
 83,010.00

6.5% 6,100.00
 16.2% 8,400.00
 3.5% 1,200.00
 16.2% 12,100.00

16.2% = 12,100.00

PAA
 2,100 46.00
 2,100 46.00
 355.0 31.00
 8.00 0.60

1,661
 1,171

[fol. 2972]

SECTIONAL SUMMARY OF ACCOUNTING DEPARTMENT

(General Sundry Expenses Based on Salary Ratio of Each Section to Total Salaries).

	Monthly Salary Expenses	Percentage of Sundry Expenses Applicable	Monthly Sundry Expenses	Total Monthly Expenses
GENERAL AND ADMINISTRATIVE				
<u>Administrative Section</u>				
General Manager	\$ 2,911.23			
Secretary	700.00			
Secretary	266.41			
File Clerk	200.00			
7 Operators	1,187.50			
16 Office Boys	1,244.01			
Total	7,509.15	9.37	\$ 1,478.93	\$ 9,988.10
<u>Personnel Section</u>				
Personnel Manager	900.00			
Secretary	300.00			
3 Clerks	1,230.00			
Total	2,430.00	3.30	595.54	3,025.54
<u>Legal Section</u>				
General Secretary	1,600.00			
2 Secretaries	850.00			
1 Assistant	300.00			
Total	2,750.00	4.37	677.76	3,427.76
<u>ACCOUNTING SECTION</u>				
<u>Administrative</u>				
Chief Accountant	1,600.00			
Secretary	600.00			
Sub-accountant	1,000.00			
Secretary	233.67			
Total	3,233.67	4.97	761.35	3,995.12
<u>General Employees</u>				
1 Bookkeeper	625.00			
7 Clerks	2,912.50			
3 Typists	505.46			
3 Cashiers	1,300.00			
1 Office Boy	75.00			
Total	5,418.46	7.98	1,377.11	6,795.57
<u>General</u>				
3 Clerks	1,335.00			
1 Typist	225.00			
Total	1,560.00	2.34	403.16	2,163.16

670

1576

1572

P-45

- 2 -

General Salaries

1 Bookkeeper
7 Clerks
Total

0 600.00
700.00
1,300.00

1.46 0 253.40 0 1,413.40

Advertising Salaries

1 Clerk

450.00

0.45

103.17

953.17

Business Advertising (Illustrations)

1 Clerk

350.00

0.35

70.35

420.35

Business Salaries

3 Clerks

975.00

0.97

138.74

706.74

Business Salaries

1 Bookkeeper
3 Clerks
Total

975.00
600.00
1,575.00

1.58

300.43

1,710.43

Bookkeeping

1 Clerk
1 Office Boy
Total

350.00
50.00
400.00

0.40

90.41

390.41

Business Advertising

1 Senior Clerk
13 Clerks
7 Typists
Total

425.00
1,407.50
1,000.00
2,832.50

2.83

1,341.24

7,213.74

TRAFFIC AND SALES

Traffic Management & Personnel 21,095.71
Traffic Cashiers 1,425.00
Total Salaries 22,520.71
Street Department Expenses
Total Traffic & Sales Expenses

22.40

5,131.10

9,237.40

34,678.40

Passenger Service

30 Representatives 2,600.00
Street Department Expenses
Total Passenger Service Expenses

3.00

600.33

2.00

3,250.33

Business Advertising

Superintendent & Personnel 7,000.00

11.33

1,700.37

9,600.37

Publisher & Advertising

Public Relations Representative
and Personnel 3,770.00
Street Department Expenses
Total Publisher & Adv. Exp

3.43

810.00

1,477.34

6,000.43

Total Salary 0 60,300.42
Total allocated fund
Total Street Sundry
Total Monthly Expenses

613,072.63

10,070.74

99,930.99

Representation & Maintenance of Furniture
and Fixtures

1,000.00

GRAND TOTAL MONTHLY EXPENSE

0 97,970.13

[fol. 2974]

STATEMENT OF ACCOUNTS
GENERAL SECTION TO GENERAL SECTION

(Total Expense Taken From Sectional Breakdown)

	Total	Direct F&B Expense	Direct Passage Expense	Expense Chargeable to Other	Expense to Revenue Producing Departments
GENERAL & ADMINISTRATIVE					
Administrative	100.00	1.00	15.00	15.00	69.00
Percent Amount	\$ 7,988.18	\$ 395.41	\$ 1,196.25	\$ 1,196.25	\$ 5,396.27
FINANCIAL SECTION					
Percent Amount	100.00		15.00	15.00	70.00
	\$ 2,905.54		\$ 377.60	\$ 1,908.34	\$ 619.60
LEGAL SECTION					
Percent Amount	100.00	1.00	20.00	15.00	64.00
	\$ 1,637.76	\$ 163.76	\$ 767.95	\$ 545.64	\$ 1,186.64
ACCOUNTING SECTION					
Administrative	100.00	1.50	4.00	15.50	79.00
Percent Amount	\$ 3,975.12	\$ 59.63	\$ 174.01	\$ 430.86	\$ 3,330.62
GENERAL SECTION					
Percent Amount	100.00	1.50	4.00	15.50	79.00
	\$ 4,750.97	\$ 71.15	\$ 277.50	\$ 1,009.80	\$ 3,592.52
RAILROAD					
Percent Amount	100.00		15.00	15.00	70.00
	\$ 2,163.16		\$ 399.77	\$ 1,168.47	\$ 654.92
WATER AIRPORT					
Percent Amount	100.00			100.00	
	\$ 2,413.49			\$ 2,413.49	
AMERICAN-ENTERTAINMENT					
Percent Amount	100.00	100.00			
	\$ 933.17	\$ 933.17			
PARADOX SECTION (AMERICAN)					
Percent Amount	100.00		100.00		
	\$ 479.36		\$ 479.36		
INVOICE CONTROL					
Percent Amount	100.00			90.00	10.00
	\$ 708.74			\$ 637.87	\$ 70.87
GENERAL BOOKING					
Percent Amount	100.00			90.00	10.00
	\$1,788.63			\$ 1,609.77	\$ 178.86

3056

[fol. 2975]

- 2 -

**STATEMENT OF ACCOUNTS
NATIONAL BUREAU OF INVESTIGATION**

(Total Expenses taken from National Breakdown)

	Total	Direct FBI Expense	Direct Foreign Expense	Expenses Chargeable to Cases	Expenses By Bureau Producing Investigation
TELEPHONE					
Payment	100.00			95.00	10.00
Amount	\$ 538.43			\$ 475.77	\$ 52.66
TRAVEL EXPENSES					
Payment	100.00				100.00
Amount	\$7,213.76				\$ 7,213.76
TRAVEL & MEALS					
Payment	100.00				100.00
Amount	\$36,979.49				\$36,979.49
MAILING SERVICE					
Payment	100.00			100.00	
Amount	\$3,258.33			\$3,258.33	
OTHER EXPENSES					
Payment	100.00				100.00
Amount	\$ 9,658.37				\$ 9,658.37
PROPERTY & AMPLIFICATION					
Payment	100.00				100.00
Amount	\$6,081.43				\$6,081.43
TOTAL	\$95,935.99	\$ 1,795.36	\$ 3,753.81	\$13,304.66	\$77,382.16
REPRESENTING & MAINTENANCE OF POSITIONS & FIELDWORK	1,436.14	\$17.09	\$17.09		
GRAND TOTAL	\$97,372.13	\$ 2,112.45	\$ 4,970.90	\$13,304.66	\$77,382.16

[fol. 2976]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 246

Vice President Morrison	H. Brock
Latin American	Executive
Miami	New York

March 25, 1947

DISTRIBUTION OF ARGENTINE COMPANY
EXPENSES

Your memo of February 27th to V. P. Balluder

Your letter of March 18th to V. P. Balluder

Panagra has agreed to your proposal for prorating expenses with the following understanding, to which Mr. Balluder agrees:

That part of the expenses which is prorated according to sales will be prorated each month according to the actual transportation provided by each company that month, exclusive of mail. In other words, PAA sales will include transportation from Balboa north on PAA. Mail pay should be left out of the sales figures.

The percentages used for direct PAA, direct Panagra and Moron expenses may be revised, should there be any major change in the business done by the Argentine company. However, it is expected that these percentages will be satisfactory for some time to come.

H. Brock

cc: Vice Pres. Dean

o Vice Pres. Balluder

Vice Pres. Campbell, Panagra

3058

[fol. 2977]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 247

[Stamp—Vice President—Rec'd—New York—Aug 29 P.M.,
—Traffic & Sales]

MEMORANDUM FORM

TO Vice President Lipscomb,—
Traffic and Sales.

DEPT.

OR DIV. Executive,

LOCATION New York, N.Y.

FROM Division Traffic Manager,

DEPT.

OR DIV. Latin American,

LOCATION Miami, Florida.

DATE: August 26, 1947.

SUBJECT: ADVERTISING AND SALES POLICY
FOR ARGENTINA.

REFERENCE:

With reference to the above subject I am enclosing herewith an outline of the advertising and sales policy for Argentina which was tentatively agreed upon at our recent meeting in Havana. If this agreement appears satisfactory to you, I suggest that you have it formalized by addressing an official communication to the General Traffic Manager of Panagra in New York and to this office.

While on this subject, as you know, Panagra is sending a special Traffic Representative to Buenos Aires who will direct their advertising and sales activities. Unquestionably this representative will do a good deal of direct selling and thereby gain an advantage over Pan American unless we follow the same tactics by assigning a Pan American Traffic Representative to Buenos Aires.

If you have any further thoughts on this subject, please let me have them at your earliest convenience.

/s/ J. E. Muhlfield
J. E. Muhlfield.

JEM:b

enc.

cc: Dy.Mgr—LAD,MIA
V.P. LAD,MIA

[fol. 2978].

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 248

COPY

ADVERTISING AND SALES POLICY FOR ARGENTINA.

1. That both companies will continue with the joint DC-6 advertising campaign as outlined by the New York agreement.
2. That each company will advertise independently according to the needs of the moment and without restriction of any kind on the part of the other, including DC-6 through-flight service and United States destinations.
3. That each company will be allowed to advertise any or all its services without restriction of any kind on the part of the other, including DC-6 through-flight service and United States destinations.
4. That all sales or solicitation personnel of the Argentine Company will impartially sell the services of both companies.
5. That it is agreed that no unduly competitive or sharp practices will be used either in the sales or advertising effort to the detriment of either company.

Note: The above policy was tentatively agreed upon at a meeting held in Havana, Cuba, on August 21st, which was attended by the following:

Mr. Willis Lipscomb—Vice President—
Traffic and Sales

Mr. John E. Muhlfeld—Traffic Manager—LAD
 Mr. Christopher de Groot—General Traffic Mgr—
 Panagra
 Mr. Granville Bourne—Traffic Repr. Panagra—BUE
 Mr. Mario J. Martinez—Regional Traffic Mgr—RIO
 Mr. George Smith—General Manager—BUE
 Mr. Ernest Foss—Advertising Manager—LAD
 Mr. James Ussher—Advertising Repr.—BUE
 Mr. Kenneth Gunter—Advertising Manager—NYC.

[fol. 2979]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 249

September 26th, 1947

DISTRICT SALES MANAGERS General Sales Manager

Sales

Sales

United States

New York

INTRODUCING "THE INTERAMERICAN"

On October 11th Pan American World Airways and Pan American-Grace Airways will introduce to the public the new DC-6 Express Flight Service between Miami, Balboa, Lima, Santiago and Buenos Aires which will be named "THE INTERAMERICAN" (El Interamericano). The purpose is to establish in the public's mind the leadership of the Pan American companies on the western route between the United States and Argentina, and to demonstrate the unanimity of purpose and practical working partnership of Pan American World Airways and Pan American-Grace Airways.

Plans have been completed by both companies for public christening ceremonies to be held in Miami and Buenos Aires, the terminal points, with complimentary ceremonies in Santiago, Lima and Balboa for launching the first flight of THE INTERAMERICAN. As the initial northbound flight will be on October 12th, Columbus Day, it provides the opportunity for making THE INTERAMERICAN an

important feature of many official and cultural programs scheduled for that day in all the Pan American Republics.

All offices are fully acquainted with the DC-6 operation Nights #301 and #302. This is an extra fare service operated with DC-6 equipment and offers sleeping accommodations. It is a service which is superior to anything which competition can offer today on the West Coast route between Miami and Buenos Aires and we are confident that you will be able to do a bang-up job for both companies provided you capitalize fully on the publicity which will be forthcoming on October 11th and 12th.

By copy of this memorandum to the Public Relations Department in New York, I am requesting Mr. Player to see that you are supplied with full details concerning inauguration of THE INTERAMERICAN. It is my suggestion that you play up this inaugural to all travel agents and commercial firms in your territory and also to any other groups which may be directly interested in this high-speed service.

/s/ JOHN E. MUHLFELD
John E. Muhlfeld

JEM:ARW

cc: N. Craig, Sales Manager—Panagra—New York
General Traffic Manager—New York
Division Traffic Manager, LAD, Miami
Division Sales Manager, LAD, Miami
Division Sales Manager—Atlantic—North Beach
Advertising Manager—New York
Public Relations Dept.—New York
Cargo Sales Manager—New York
Supt. of Passenger Agencies—New York
Division Sales Manager, PAD, San Francisco
Regional Sales Managers: Eastern, Central, Western
Messrs. Ballouder and Dean—New York

[fol. 298Q]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 250

Regional Sales Managers

General Sales Manager

United States

Sales

Central, Eastern, Western

New York,

October 9th, 1947

AGREEMENT BETWEEN PAA, INC. AND PAN
AMERICAN-GRACE AIRWAYS, INC.—

JULY 30th, 1946

It is extremely important that you and the District Sales Managers under your jurisdiction become thoroughly acquainted with the agreement which was signed on July 30th, 1946 by Pan American Airways, Inc., and Pan American-Grace Airways, Inc., and which pertains to the operation of Panagra aircraft by PAA between the Canal Zone and the United States. As you know, at the present time, Panagra aircraft are operating on charter to PAA between Balboa and Miami and both companies have worked up a special advertising and publicity program to introduce this service in the United States and South America as "The Interamerican".

Concerning the United States, PAA will continue to act as general sales agent for Panagra with a right to appoint sub agents and in addition, appoint at least one responsible employee who will work full time in the District Sales Offices of New York, Chicago and Washington for the purpose of promoting the sale of Panagra traffic and for facilitating and improving the handling of such traffic. Also, PAA shall use its best efforts to promote and develop traffic for Panagra in the United States without discrimination and on the same basis which it promotes its own traffic.

I have already written you concerning the Panagra display for ticket offices and under separate cover, I am advising you today of Mr. Nicholas Craig's forthcoming trip to all District Sales Offices in the United States. During his visit,

he will no doubt discuss the various aspects concerning promotion of sales over Panagra as related to this agreement. Therefore, it is important that you carefully read the attached agreement and make certain that you and your District Sales Managers fully understand it, particularly the portion affecting the DSO's.

If there are any questions, please advise me.

John E. Muhlfield

JEM:ARW

[fol. 2981]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 251

C

CONFORMED COPY

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November 7, 1947

Mr. Gonzalo Mejia
Medellin
Colombia

Dear Mr. Mejia:

We have arranged to deposit to your order US\$500.00 (five hundred dollars, U.S.) in full payment of 1,000 shares of common stock of Uraba, Medellin & Central Airways, Inc., which are presently held in our custody for you and you do hereby agree on receipt of the above sum to endorse in blank and return to us four certificates numbered 4, 5, 6 and 7 for 250 shares each, aggregating 1,000 shares of common stock of Uraba, Medellin and Central Airways, Inc.

Very truly yours,

PAN AMERICAN AIRWAYS, INC.

By /s/ E. BALLUDER
Vice President

Accepted, November 7, 1947

/s/ GONZALO MEJIA
Gonzalo Mejia

3064

[fol. 2982]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 252

November 8, 1947

Uraba, Medellin & Central Airways, Inc.
c/o Pan American Airways, Inc.
135 East 42nd Street
New York, New York

Gentlemen:

I am enclosing herewith confirmation of my resignation as Vice President in Charge of Commercial Operations in Colombia and as Director of your Corporation, effective July 31, 1947.

You have stated that you are disposed to pay me \$15,000 dollars, which sum not only satisfies in full my claim under Colombian law to severance pay (cesantia), but also compensatory vacation pay at the rate of fifteen working days for each year of service and payment for work on Sundays and holidays and for overtime. This same amount also includes a special and additional separation allowance, which said total sum would be in full satisfaction of all claims and demands of any character which I may have against your corporation, its officers, directors and stockholders. Your offer being satisfactory to me, I hereby accept the same, and I agree, upon receipt of \$15,000 from you to execute and deliver to you a general release of all claims in such form as your corporation may consider appropriate.

If this is in accordance with our understanding, please note your approval in the place indicated below.

Very truly yours,

/s/ GONZALO MEJIA
Gonzalo Mejia

Approved November , 1947

Uraba, Medellin & Central Airways, Inc.

By /s/ H. MAX HEALEY
President

[fol. 2983]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 253

CONFORMED COPY

C
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Y

November 8, 1947

Board of Directors
 Uraba, Medellin & Central Airways, Inc.
 c/o Pan American Airways, Inc.
 135 East 42nd Street
 New York 17, N. Y.

Gentlemen:

The Board of Directors having not as yet acted upon my resignation as Vice President in Charge of Commercial Operations in Colombia and as a Director, communicated orally on July 31, 1947, I hereby confirm that resignation in writing, the same to be effective as of July 31, 1947, the date when first communicated to you.

Very truly yours,

/s/ GONZALO MEJIA
 Gonzalo Mejia

[fol. 2984]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 254

CONFORMED COPY

General Release

C
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Y

KNOW ALL MEN, that I, Gonzalo Mejia, residing at La Plaza 46-27 Medellin, Colombia, in consideration of the

sum of fifteen thousand (\$15,000) dollars, lawful money of the United States of America, to me in hand by Uraba, Medellin & Central Airways, Inc., a Delaware Corporation doing business in Medellin, Colombia (the receipt whereof is hereby acknowledged), do, for myself, my heirs, executors, administrators and assigns, hereby remise, release and forever discharge the said Uraba, Medellin & Central Airways, Inc. Pan American Airways Corporation, Pan American Airways, Inc., their past and present officers, Directors and their heirs, executors, administrators, successors and assigns, of all, and from all, and all manner of, action and actions, cause and causes of actions, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands, whatsoever, in law or in equity, that against the said corporations and persons, or any of them, I, the said Gonzalo Mejia, ever had, now have, or that my heirs, executors, administrators, or assigns, hereafter can, shall or may, have for, upon, or by reason of, any matter, cause, or thing, whatsoever, from the beginning of the world up to, and including the day of the date of this release.

IN WITNESS WHEREOF, I have hereunto set my hand and seal, in the City of Medellin, Republic of Colombia, on this 10th day of November, 1947.

/s/ GONZALO MEJIA
Gonzalo Mejia (SEAL)

Sealed and delivered,
in the presence of

/s/ JOHN I. FISHBURNE)?
c/o American Consulate
Medellin, Colombia

REPUBLIC OF COLOMBIA)
 CONSULATE OF THE UNITED STATES OF AMERICA)
 MEDELLIN)

Service Nol 1465
 Item No. 28 (STAMP)
 Fee: \$2.00 equals
 3.60 pesos

On this 10th day of November in the year 1947, before me personally came GONZALO MEJIA, to me known, and known to me to be the person described in and who executed the foregoing instrument, and he acknowledged to me that he had executed the same.

IN WITNESS WHEREOF I have hereunto subscribed by name and affixed my official seal on the date hereinabove first written.

/s/ JOSEPH P. RAGLAND
 Joseph P. Ragland
 Consul of the United States
 of America

(SEAL)

[fol. 2985]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 255

AEROVIAS NACIONALES DE COLOMBIA
 AVIANCA

Bogotá, November 15, 1947

Mr. E. Balluder
 Vice President
 Pan American Airways
 135 East 42nd Street
 New York 17, N. Y.

Dear Mr. Balluder:

Dr. Uribe Holguin is holding the general release signed by Mejia and attested by the Consul in Medellin. I have in my own possession the other three documents signed by Mejia in identical form as prepared in New York. Mejia

3068

wired me yesterday that he has not yet received confirmation from the bank.

In this connection I thought you might be interested in the following extract from a confidential report submitted by our representative in Medellin:

"From sources which have our complete confidence, we have been able to ascertain that Gonzalo Mejia is an important stockholder of SAM, although he does not appear directly as holder of the shares nor as acting member of the Board."

SAM, or Servicio Aero de Medellin, is one of the principal freight carriers in Colombia. Its head is Arthur Taylor, a long-time American resident of Colombia.

Very truly yours

/s/ Max

H. Max Healey

Assistant to the President

HMH:AOR

[fol. 2986]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 256

COPY

DZMIA 142045 (1/1948)

PANyc

BALLUDER. I DEFINITELY CONFIRM THAT PAN-AGRA HAS UPSTAIRS OF ICE IN BUE ON CALLE FLORIDA AND HAVE MINIMUM OF THREE MEN HANDLING PASSENGER SALES COMMA CARGO SALES AND PANAGRA ADVERTISING WORKING OUT OF THIS OFFICE. THESE PEOPLE DO NOT HAVE CONTACT WITH OR REPORT THROUGH PAN AMERICAN ARGENTINA. IF THIS CONDITION CONTINUES WILL BE NECESSARY LAD OPEN OWN OFFICE IN BUE AND IT IS MY SUGGESTION VIGOROUS PROTEST BE FILED PANAGRA IN ORDER THEY KEEP ALL SOLICITATION THROUGH JOINT CHANNELS

MORRISON

WLM:amp

[fol. 2987]

(PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 257)

January 29, 1948

Dr. Paulo Sampaio, President
Panair do Brasil
83 Av. Rio Branco 85
Rio de Janeiro, Brasil

Dear Dr. Sampaio:

I have received your very nice telegram of December 19, in connection with the passing of control of Panair do Brasil to Brazilian nationals. The year end activities and my absence from New York have delayed my answer, but I want you to know that I share your sentiments of satisfaction in seeing this important move accomplished.

I realize that the shift in ownership will increase very considerably your responsibilities in order to produce for Panair do Brasil, as a national Brazilian enterprise, continued successful and prosperous results. However, you may rest assured of the full-hearted support of all of your friends in Pan American Airways. The efforts of our organization will be to continue to assist your company in every possible way and to reaffirm this example of successful cooperation between our two countries.

With best wishes for your continued success and a happy and prosperous New Year.

Sincerely,

Signatory J. T. TRIPPE

JTT:rpm

[fol. 2988]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 258

(Letterhead of Pan American-Grace Airways, Inc.,
New York 17, N. Y.)

February 3, 1948

MEMORANDUM OUTLINING PANAGRA ARRANGE-
MENT WITH PAA CONCERNING THE SERVICES
WHICH PAA WILL RENDER IN CONNECTION
WITH TRAFFIC, PUBLICITY, AND ADVERTISING
IN 1948

1. PAA will act as General Sales Agent for Panagra in the United States, Europe, Asia, Africa, and Australia, for which services it will receive General Sales Agent's commission prescribed by IATA.
2. In accordance with paragraph 10-C of the Through Flight Agreement dated July 30, 1946 and in order effectively to carry out the functions of General Sales Agent, PAA will set up the following methods and procedures which Panagra desires to have established by PAA:
 - (a) PAA will supply Panagra each week with sales figures (not necessarily accounting figures) showing the volume of sales made the previous week by Pan American's District Sales Offices in the United States and by sub-agents in the territory of each of these offices.
 - (b) The General Traffic Manager of Panagra or the Traffic employee of Panagra designated by him shall, with the full cooperation of the PAA Sales organization, make periodic visits to the various Sales offices in the United States, and to travel and cargo agents, and to prospective passengers and shippers for the purpose of acquainting the Sales office staffs, agents, and others with information and special features pertaining to Panagra and to countries served by Panagra, as well as to study and report to the Vice President & General Traffic Manager of PAA and to the Vice President and

General Manager of Panagra the effectiveness of the sales efforts at a given office or area, together with his suggestions for steps to be taken to improve or intensify such efforts.

- (c) It will be the obligation of PAA and of its offices in the United States and abroad to make known promptly to the appropriate Traffic officials of Panagra any special movement of passenger, cargo, or other traffic involving points on Panagra's routes, or which may be moved expeditiously via Panagra's routes, in order that the Panagra Management may promptly consider special arrangements to handle or solicit same.
- (d) PAA will make an immediate and intensive study in collaboration with Panagra's General Traffic Manager, or his designee, of ways and means to [fol. 2989] expedite the carriage of cargo from points of origin in the United States to points on Panagra's routes and vice versa, including study of simplification of documentation and transfer between U. S. domestic airline aircraft, PAA aircraft, and/or Panagra aircraft, in order to avoid existing documentation and handling delay which adversely affect Panagra's competitive position on cargo vis-a-vis foreign airlines operating through aircraft between Panagra points and points in the United States.
- (e) PAA will publicize appropriately the fact that they are General Sales Agents for Panagra and, in accordance with paragraph 11-B of the Through Flight Agreement dated July 30, 1946, PAA shall promptly place on display and hold out to the public in all of its city ticket offices in the United States the name "Panagra" in such form and reasonable quantity as may be requested from time to time by Panagra's General Traffic Manager.

3. PAA, by one or more qualified employees, shall continue to act as tariff and schedule publishing agent for Panagra. It is understood that at such times as PAA

may be studying proposed regular or special tariff or schedule changes affecting Panagra, PAA will advise the General Traffic Manager of Panagra at the outset of such studies in order that Panagra may have an ample opportunity to study the matter from its own angle and make known its views and desires in the early stages of discussion of the matter.

4. PAA will advise Panagra periodically--at periods not exceeding one month--trend of traffic conditions and steps being taken to effect sales.
5. While the TFA calls for a so-called Panagra expert only in the PAA offices in New York, Washington, and Chicago, PAA will appoint such a man in all DSO offices in the United States. As a part of their indoctrination, these men will be sent on a familiarization trip over Panagra.
6. (a) PAA agrees to advertise Panagra destinations in its System advertising without charge to Panagra in view of the offsetting expense incurred by Panagra for advertising primarily in South America for its own account which benefits the System as a whole. It is understood that the System advertising aforementioned as far as the Western Hemisphere is concerned will include Panagra destinations in proportion to the number of points involved.
- (b) In accordance with Paragraph 14 of the Through Flight Agreement, PAA and Panagra will work out for 1948 a program for advertising the Through [fol. 2990] Flight Service similar to that worked out for 1947, the cost of which PAA and Panagra will share in proportion to the estimated revenues accruing to each from such service.
- (c) In the Through Flight Agreement it was apparently considered that advertising for such Through Flight Service would be carried out principally on the Eastern Seaboard or that area of the United States which Miami serves as a gateway. It is now realized that a considerable amount of the traffic which uses the Interamericano comes from

the middle and western parts of the United States from whence passengers journey to Balboa, the connecting point with the Interamericano, via other gateways than Miami. It is therefore felt desirable that some method be worked out for extending so-called Through Flight advertising to the middle and western parts of the United States on a basis similar to that for advertising for the Miami gateway, i.e., using the revenue division corresponding to the middle and western gateway routes to proportion the costs to be paid for such advertising by PAA and Panagra.

[fol. 2991]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 259

COPY OF TELEGRAM

3-9-48

CHARLES E. BEARD, EXECUTIVE VICE
PRESIDENT
BRANIFF AIRWAYS, INC. LOVE FIELD, DAL

AS WE HAVE PREVIOUSLY ADVISED YOU WE ARE ANXIOUS TO LIQUIDATE OUR INVESTMENT IN RANCHOS BOYEROS AND BELIEVE THAT A JOINT TERMINAL COMPANY IS THE ONLY WAY OF ACCOMPLISHING THIS WHICH WOULD BE FAIR TO ALL CONCERNED YOU HAVE INDICATED THAT YOU AGREE WITH THIS AND ACCORDINGLY IF YOU WILL NOW GIVE US YOUR ASSURANCE THAT YOU WILL JOIN SUCH A TERMINAL COMPANY ON TERMS SATISFACTORY TO A MAJORITY OF THE OTHER USERS WE HAVE NO OBJECTION TO FURNISHING YOU SERVICE FOR AN INTERIM PERIOD OF SIX MONTHS ON THE SAME BASIS AS WE SERVE OTHERS. IF YOU CONCUR PLEASE LET ME KNOW AND I WILL IMMEDIATELY ADVISE MORRISON WITH WHOM YOU CAN MAKE THE DETAILED ARRANGEMENTS.

PAN AMERICAN AIRWAYS
HOWARD B. DEAN, VICE PRESIDENT

[fol. 2992]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 260

COPY

March 19, 1948

Memorandum to Mr. Erwin Balluder

Further to Mr. Vidal's memorandum of February 16 on the subject of Panagra Through Flight advertising, we wish to confirm the arrangements so far agreed upon for this item.

1947 (termination) U.S. Total \$25,000 (Panagra \$17,125 & PAA \$7,875)	
1948 United States	Total \$146,000 (Panagra \$100,000 & PAA \$46,000)
1948 Argentine	Total \$36,000 (Panagra \$24,660 & PAA \$11,340)

This leaves pending only the Through Flight advertising at line points other than Buenos Aires, which last year was set up at \$12,000. If that figure is agreeable to you, we will set up the same for 1948 and the share pertaining to PAA of such amount would be \$3,780.

The summary of the above figures gives a total appropriation for Through Flight advertising under the 1948 heading of \$194,000 (Panagra \$132,380 and PAA \$61,120) with a carry over from 1947 of \$25,000 (Panagra \$17,125 and PAA \$7,875).

Will you kindly signify your conformance with the above.

Douglas Campbell

cc: GVidal

J.T.Shannon

JSWoodbridge

[fol. 2993]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 261

COPY

March 31, 1948

Memorandum to Mr. Douglas Campbell

This will confirm the arrangements for Panagra-Pan American Through Flight advertising for 1948 as outlined in your memorandum of March 19th representing an appropriation of \$194,000 for 1948 plus a carry-over from 1947 of \$25,000 to be distributed between Pan American and Panagra in the established manner.

E. Ballader

cc: Vice President Dean
 Vice President Morrison
 Vice President—Traffic & Sales
 Comptroller
 Asst. General Counsel

[fol. 2994]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 262

June 7, 1948

District Sales Managers—U.S. General Sales Manager
 Regional Sales Managers—U.S.

Sales
 Various

Sales
 New York

SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC

Last July Vice President Lipscomb visited each office and outlined the policy which was to be followed in the promotion and sale of passenger and cargo traffic for Panagra.

This subject was again covered at great length during the General Sales Meeting in New York and since then I have visited all offices and once again reaffirmed this policy.

Notwithstanding all of the above, we continue from time to time to receive information which indicates quite clearly that some of our sales people are not adhering strictly to Company policy of voluntarily quoting Panagra's services, both passenger and cargo, when prospective passengers and shippers contact District Sales Offices by phone, by correspondence or in person.

I request that you hold a staff meeting immediately with all of your personnel and point out to them once again that, as General Agents for Panagra in the United States, we are responsible for the promotion and sale of Panagra traffic and must voluntarily offer and quote Panagra's services to the travelling and shipping public, and in particular to those interested in transportation to Buenos Aires. In other words, DSO personnel are expected to offer both East Coast and West Coast services in an impartial manner and without exception.

It is essential, also, that you make certain that all new employees are properly indoctrinated on this policy, from now on, for we are determined that it shall be carried out. I am confident that, if you follow this procedure, there will be no further cause for question of the manner in which we promote and sell Panagra.

I am sending a copy of this letter to the Division Traffic (Sales) Managers with the request that they make certain that this policy is adhered to strictly by all Division Offices and General Agencies. After receipt of this letter please confirm to me in writing your understanding of this policy, and that all personnel have received complete instructions.

[fol. 2995] Within the very near future you will receive quick reference information concerning Panagra's services which we have asked their New York Office to prepare for us and which will be incorporated into the Quick Reference Information now being compiled as a part of

the new program to indoctrinate sales personnel in selling passenger and cargo traffic in the USA.

/s/ JOHN E. MUEHLFELD
John E. Muehlfeld

jem:hs

cc: VP—Trf. and Sales NYC
Div. T/S Mgrs, LGA—SFO—MIA
Cargo Sales Mgr—NYC
Supt. Pass. Agencies—NYC
Supt. Cargo Agencies—NYC
Res. Supt. LIC

[fol. 2996]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 263

MEMORANDUM FORM

TO	General Sales Manager	FROM	District Manager
DEPT.		DEPT.	
OR DIV.	Sales	OR DIV.	Sales
LOCATION	New York	LOCATION	Philadelphia
DATE:	June 11, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		
REFERENCE:	Your memo of June 7, 1948		

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

In compliance with your request we confirm to you that each of us in the Philadelphia office understand the importance of solicitation of Panagra passenger and cargo traffic.

Recently we had the benefit of a very nice visit from Nick Craig, and he—together with the writer—visited the principal agents in the Philadelphia territory. We also held

3078

a staff meeting, and all the features of Panagra, both passenger and cargo, were discussed at great length.

You may be assured that the Philadelphia office is keenly aware of the responsibilities to Panagra, and all our activities are directed to this end.

/s/ JOSEPH P. RILEY
Joseph P. Riley
District Sales Manager

JPR:ah

cc: H. F. Milley, ERSM

[fol. 2997]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 264

MEMORANDUM FORM

TO	General Sales Manager	FROM	Sales Representative
DEPT. OR DIV.	Sales	DEPT. OR DIV.	Sales
LOCATION	New York	LOCATION	Laredo
DATE:	June 15, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		

REFERENCE: Your memo of June 7, 1948

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

In accordance with the second last paragraph of your memo, we wish to confirm our understanding of current policy regarding Panagra promotion. All personnel in this office have been instructed accordingly.

/s/ KENNEY J. FROMM
Kenney J. Fromm

KJF:mag

[fol. 2998]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 265

MEMORANDUM FORM

TO	General Sales Manager	FROM	District Sales Manager
DEPT. OR DIV.	Sales	DEPT. OR DIV.	Sales
LOCATION	New York	LOCATION	St. Louis
DATE:	June 15, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		
REFERENCE:	Your memo June 7, 1948		

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

We wish to confirm our understanding of your memo of June 7, 1948. All personnel of this office have sold and are selling Panagra-Pan American Services on an impartial basis with no exceptions.

May 7, 1948, our memo to agents and airlines featured Panagra's DC-6 service to Buenos Aires. Copy is attached.

/s/ A. L. MIKKELSEN
A. L. Mikkelsen

ALM/gk

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[fol. 2999]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 266

MEMORANDUM FORM

TO	General Sales Manager	FROM	District Manager
DEPT. OR DIV.	Sales	DEPT. OR DIV.	Sales
LOCATION	New York	LOCATION	Washington, D. C.
DATE:	June 15, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		
REFERENCE:	Your memo dated June 7, 1948		

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

In compliance with your request, we are pleased to advise that a Staff Meeting has been held for the sole purpose of indoctrinating all employees on the subject policy, and hasten to assure you that our employees are adhering strictly to the Company policy of voluntarily quoting Panagra's services at all times.

/s/ LEE
L. W. Lee, Manager

LWGS:kak

[fol. 3000]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 267

MEMORANDUM FORM

TO :	General Sales Manager	FROM	District Sales Manager
DEPT.		DEPT.	
OR DIV.	Sales	OR DIV.	Sales
LOCATION	New York	LOCATION	Houston
DATE :	June 21, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		

REFERENCE: Your bulletin June 7, 1948

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

This is to acknowledge receipt of the above referenced bulletin and to advise that the policy referred to therein is completely understood by me and all my personnel. Everyone in this office has always understood our responsibility for promotion and sale of Panagra traffic.

/s/ D. R. TAYLOR
D. R. Taylor

aw

3082

[fol. 3001]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 268

MEMORANDUM FORM

TO	General Sales Manager	FROM	DSM
DEPT. OR DIV.	Sales	DEPT. OR DIV.	
LOCATION	LIC	LOCATION	MPS
DATE:	June 21, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

In reply to your memo of June 7th, this is to advise that this office is well aware of its responsibility regarding the promotion and sale of Panagra traffic and as agents for Panagra we are giving them equal representation in the Upper Midwest Territory.

/s/ RICHARD A. CATONI
Richard A. Catoni

RAC:m

[fol. 3002]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 269

MEMORANDUM FORM

TO	General Sales Manager	FROM	District Repre- sentative
DEPT. OR DIV.	Sales	DEPT. OR DIV.	Sales
LOCATION	New York	LOCATION	Baltimore
DATE:	June 22, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		
REFERENCE:	Your memo of June 7, 1948		

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

With reference to your memo of June 7, 1948, regarding the sale of passenger and cargo traffic over Panagra, we are herewith confirming receipt of this letter, and that all personnel have received instructions and that all understand this policy.

/s/ STUART WOOSTER
Stuart Wooster

3084

[fol. 3003]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 270

MEMORANDUM FORM

TO :	General Sales Manager	FROM	District Sales Manager
DEPT.		DEPT.	
OR DIV.	Sales	OR DIV.	Sales
LOCATION	New York	LOCATION	Seattle
DATE:	June 23, 1948		
SUBJECT:	SALE OF PANAGRA PASSENGER AND CARGO TRAFFIC		

[Stamp—Office of General Sales Manager—File Copy—
Not to Be Removed From File]

This will acknowledge your memorandum of June 7 on the above subject. All personnel have again been informed of the company policy. We have been endeavoring in all instances to offer prospective passengers and shippers both the East Coast and West Coast services on an impartial basis.

/s/ W. H. ZEISER
W. H. Zeiser

WHZ/MNS

cc: WPSM—SFO

[fol. 3004]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 271

COPY

July 16, 1948

Mr. Erwin Balluder
Pan American Airways, Inc.
Chrysler Building
New York, New York

Dear Mr. Balluder

The three-cornered management service agreement between Pan American Airways, W. R. Grace & Co. and Panagra

provides that Panagra will continue to receive sales and other services jointly with Pan American Airways from Cia. de Aviacion Pan American Argentina and the same method for determining joint reimbursement ~~as~~ is now in effect will continue and will be applied in the light of conditions existing from time to time. It is understood that the following arrangements will constitute part of such reimbursement and will continue for the same term as the three-cornered agreement. Sales commissions of one-half of one percent have been paid by both Pan American and Panagra to the Argentine company. The commissions paid by Panagra have later been credited in full by Pan American to Panagra as reduction of the management fee and this practice will continue. However, effective January 1, 1947, Panagra shall participate through direct payments to Pan American in the charges against the Argentine company, not otherwise allocated to Panagra, representing taxes and other similar expenditures as well as a return of ten percent on Pan American's investment in the Argentine company. Panagra will share in the foregoing charges in the same ratio as it shares with Pan American in the other expenses of the Argentine company after crediting receipts from others.

For the foregoing purpose, it is agreed that Pan American's investment in the Argentine Company is \$62,300 and that this figure will continue to be used for this purpose until changed by mutual agreement in light of investment requirements of the Argentine company.

Please sign a copy of this memorandum confirming the foregoing understanding.

Very truly yours,

G. Vidal
Vice President

ACCEPTED BY: /s/ E. BALLUDER

7/16/48

[fol. 3095]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 272

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Docket No. 3272

PAN AMERICAN AIRWAYS, INC.

AND

URABA, MEDELLIN AND CENTRAL AIRWAYS, INC.

In the matter of the petition of Pan American Airways, Inc., and Uraba, Medellin and Central Airways, Inc., for approval under section 408 of the Civil Aeronautics Act of 1938, as amended, of the acquisition by Pan American Airways, Inc., of all the property of Uraba, Medellin and Central Airways, Inc., and of the transfer to Pan American Airways, Inc., under section 401(i) of the Act, of the certificate of public convenience and necessity of Uraba, Medellin and Central Airways, Inc.

REPORT OF EXAMINER RICHARD A. WALSH

Served: Aug 2 1948

Upon:

J. Howard Hamstra, 135 E. 42nd Street, New York 17,
New York, for Pan American Airways, Inc., Pan
American Airways Corporation and Uraba, Medellin
and Central Airways, Inc.

Thomas J. McDermott, Public Counsel.

Exceptions, if any, must be filed with the Secretary, Civil Aeronautics Board, Washington, D. C., and served upon all other parties within five days from the date of service shown above. Briefs may be filed and served upon all other parties within ten days of the date for filing exceptions.

[fol. 3006]

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Docket No. 3272

PAN AMERICAN AIRWAYS, INC.,
AND
URABA, MEDELLIN AND CENTRAL AIRWAYS, INC.

Recommended that the application of Pan American Airways, Inc., and Uraba, Medellin and Central Airways, Inc., for acquisition by Pan American Airways, Inc., of all of the property of Uraba, Medellin and Central Airways, Inc., and for the transfer to Pan American Airways, Inc., of the certificate of public convenience and necessity of Uraba, Medellin and Central Airways, Inc., be approved.

Appearances:

J. Howard Hamstra, for Pan American Airways, Inc.;
Pan American Airways Corporation, and Uraba,
Medellin and Central Airways, Inc.

Thomas J. McDermott, Public Counsel.

REPORT OF EXAMINER RICHARD A. WALSH

This proceeding involves the joint application of Pan American Airways, Inc., and Uraba, Medellin and Central Airways, Inc., hereinafter referred to as Pan American and UMCA, respectively, under sections 401 and 408 of the Civil Aeronautics Act of 1938, as amended, for the acquisition by the former of all of the property of the latter and for the transfer to Pan American of the certificate of public convenience and necessity of UMCA authorizing the transportation by air of persons, property and

mail between the terminal point Cristobal, Canal Zone, the intermediate points Balboa, Canal Zone and Turbo, Colombia, and except with respect to mail, the terminal point Medellin, Colombia.

[fol. 3007] Pursuant to section 801 of the Act a copy of the application was transmitted to the President of the United States and after due notice to the public and to all interested parties a public hearing was held in Washington, D. C., on April 26, 1948. Subsequent to the hearing each of the parties filed with the Examiner statements of proposed findings and conclusions together with supporting reasons.

The issues in this proceeding arise under section 401(i), 408(a) and 408(b) of the Act. Section 401(i) provides that no certificate shall be transferred unless approved by the Board as being consistent with the public interest. Section 408(a)(2) makes it lawful unless approved by the Board for any air carrier, any person controlling an air carrier, any other common carrier, or any person engaged in any other phase of aeronautics, to purchase, lease or contract to operate the properties, or any substantial part thereof, of an air carrier. Section 408(b) requires the Board by appropriate order to approve such purchase, lease, or operating contract unless it finds that such transaction will not be consistent with the public interest or that the conditions of this section will not be fulfilled; with the provision that the Board shall not approve such purchase, lease, or operating contract if it would result in creating a monopoly, or monopolies and thereby restrain competition or jeopardize another air carrier not a party thereto.

Pan American, a wholly owned subsidiary of Pan American Airways Corporation, is a certificated air carrier authorized to engage in international air transportation of persons, property and mail between the United States and [fol. 3008] nearly every part of the world. UMCA is a Delaware corporation organized by Pan American Airways Corporation for the purpose of operating the route here in question and in order to provide representation for the minority interest of Mr. Gonzalo Mejia who held the con-

cession for that part of the route extending into the Republic of Colombia.

Mr. Mejia, a Colombian citizen, obtained the concession for the Turbo-Medellin portion of the route from the Colombian Government in January, 1931. The concession was granted for a term of 15 years effective from the date of inauguration of service thereunder. Negotiations were thereafter entered into between Mr. Mejia and Pan American with a view to placing the route in operation but since satisfactory arrangements could not be worked out for the operation of the route by Pan American directly the parties decided to organize a separate corporation. Accordingly, UMCA was organized on August 24, 1931 and the concession for the route was transferred to it on September 10, 1931. This assignment was approved by the Colombian Government on January 11, 1932. Pan American's interest in this route arose from a desire on its part to carry traffic into Colombia and to have the route serve as the first link in a shortcut route across South America to Buenos Aires and Rio de Janeiro. Inasmuch as Colombia was too large a country to fly over with the short-range aircraft then available it allegedly presented a serious obstacle to the further expansion of Pan American's service in South America. Operations under the concession commenced on July 12, 1932 and were continued until the expiration of the concession on July 12, 1947. The concession has since not been renewed.

[fol. 3009]. UMCA's articles of incorporation authorized the issuance of two classes of capital stock, preferred having a par value of \$100 per share and no par common stock. There were issued 1500 shares of preferred stock and 3,000 shares of common. Pan American acquired all of the preferred and 1500 shares of the common. Mr. Mejia received the remaining shares of common stock as consideration for the transfer of the route concession to UMCA. Inasmuch as both classes of stock have equal voting rights Pan American has had two-thirds of the voting power in UMCA since its incorporation. Mr. Mejia subsequently transferred 500 shares of his stock to another Colombian citizen which were later acquired by Pan American in exchange for 100

shares of the latter's stock. On November 7, 1947 Pan American purchased the remaining 1000 shares from Mr. Mejia and since that date has been the sole owner of UMCA.

Although UMCA's affairs have always been dominated by Pan American it is noted that from 1938 to November 7, 1947, all of the members of its board of directors with the exception of Mr. Mejia were either officers or employees of Pan American and since the latter date all of its officers and directors have been either officers or employees of Pan American.

During the early years of operation UMCA owned and operated its own aircraft and provided its own ground facilities at Medellin and Turbo for sales, aircraft dispatch and the handling of passengers. The operation was inaugurated with combination land-amphibious type S-38 aircraft transferred to UMCA by Pan American, which landed on the water at Turbo and on land at Medellin. Pan American provided all of the necessary ground facilities in the Canal Zone and Panama and because UMCA lacked the [fol. 3010] necessary facilities for the overhaul and maintenance of aircraft this service was provided by Pan American at its bases in the Canal Zone, Brownsville or Miami. However, since July 1941, Pan American has been operating the route for UMCA on a charter basis with its own aircraft and flight crews. The aircraft and crews used in the operation were obtained from Pan American's pool of aircraft and crews used for its Latin American services. When flying the route Pan American's identification markings on the aircraft remained intact so that as far as the general public was concerned it appeared that the operation was actually that of Pan American, instead of the operation of UMCA. In the succeeding years Pan American assumed all of the remaining functions incident to the operation of the route until at the time of hearing UMCA was an air carrier in name only and with only one person in its employ.

On November 29, 1937 Pan American was granted a contract by the Postmaster General to transport mail over

foreign airmail route No. 5 between Cristobal and Turbo. Pursuant to section 401(e) of the Act, Pan American was granted a "grandfather" certificate authorizing it to engage in air transportation with respect to persons, property and mail between the above named points.¹ In a subsequent proceeding decided November 4, 1940, UMCA was granted a certificate under section 401(d) of the Act authorizing [fol. 3011] it to engage in the air transportation of persons, property and mail to and from Balboa and of persons and property only between Turbo and Medellin. In the same proceeding the Board approved the transfer to UMCA of Pan American's grandfather certificate under section 401(i) of the Act authorizing the transportation of persons, property and mail between Cristobal and Turbo. This route segment together with that granted to UMCA forms this carrier's present route.

Although UMCA is authorized to carry United States mail over the Cristobal-Turbo segment of the route it has never been designated by the United States Government for the carriage of mail. The mail dispatched from the United States to Colombia has been carried by Pan American to Barranquilla and transferred at that point to a Colombian carrier for transportation into the interior of Colombia. However, UMCA has been acting as agent for Pan American in the carriage of intercountry dispatches between Colombia and Central America and Mexico which it exchanges with Pan American at the Canal Zone for transportation to and from Turbo. UMCA has also been carrying mail for the Colombian Government between Turbo and Medellin for which it is paid at the rate of \$4.00 per kilo. The evidence shows that UMCA is no longer operating between Cristobal and Balboa and its authorization to serve Turbo has not been renewed by the Colombian Government. By order of the Board dated September 15, 1947 (Orders Serial No. E-798) UMCA was authorized to sus-

¹ *Pan American Airways, Inc. grandfather certificate*, 2 C.A.B. 111 (1940).

² *Uraba-Medellin, Central Airways, Canal Zone-Colombia Op.*, 2 C.A.B. 334 (1940).

pend service at Turbo and to operate nonstop between Panama or the Canal Zone and Medellin. Pan American asserts that from a traffic standpoint service to Turbo is [fol. 3012] not particularly desirable but irrespective of this it believes that Colombia will never again grant permission to a foreign carrier to serve that point. Accordingly, all that remains of the route as far as operability is concerned is the portion thereof between Balboa and Medellin. For these reasons Pan American believes that there is little likelihood of the route being designated for the carriage of mail.

As has been previously stated herein the concession granted to Mr. Mejia by the Republic of Colombia expired on July 12, 1947, and it is the opinion of Pan American that it will not be renewed. Pan American has had no negotiations with the Republic of Colombia for the transfer of the concession and in view of the negotiations now pending between Colombia and the United States concerning reciprocal air transportation rights between the two countries it considers that any action on its part toward renewal of the concession would, at this time, be inappropriate. Since the expiration of the concession UMCA has been temporarily authorized by Colombia to operate between Balboa and Medellin until the end of the year 1948. In the event the proposed transfer of the certificate is approved by the Board Pan American will seek a renewal of the temporary permit from the Colombian Government to continue operations between these points.

According to the record UMCA carried 3,361 passengers between Balboa and Medellin during the year 1947, and during the first seven months of the same year it carried 1,113 passengers between Turbo and Medellin and 710 passengers between Balboa and Turbo. Service between these points has been conducted on a frequency of five round trips per week with DC-3 aircraft having a daily utilization of approximately five hours while in service of UMCA. The average load factors between these points were shown as [fol. 3013] 33.5 percent between Balboa-Medellin, 54.5 between Turbo-Medellin, and 31 percent between Balboa and

Turbo. These load factors ranged from a low of 13 per cent in July 1947 from Turbo to Balboa to a high of 86 per cent in April 1947 from Turbo to Medellin.

The record also shows that during the year ended June 30, 1947 approximately 2,803 beyond terminal passengers were carried over UMCA's route. The majority of these passengers were exchanged with Pan American at the Canal Zone and either originated at or were destined to points in Central America, Mexico and the United States. Medellin was the principal point of origin or destination of these latter passengers. During the years 1942 through 1947 UMCA also exchanged approximately 10,713 pounds of air mail with Pan American at the Canal Zone. This mail consisted of inter-country dispatches between the Republic of Colombia and points in Central America and Mexico.

UMCA's balance sheet for the year ended December 31, 1947, discloses assets of \$32,703.79 and liabilities, exclusive of long term indebtedness to affiliates, of \$40,049.66. The carrier had a net operating loss in 1947 of \$55,731 and a net cumulative loss of \$259,406 during the entire period of operation. The company's balance sheet shows a figure of \$89,693 representing the balance due Pan American on inter-company accounts since the beginning of the operation. The value of UMCA's capital stock of which Pan American is the sole owner was reflected on the latter's books as of December 31, 1947 at \$158,500.

Upon dissolution of UMCA as a corporate entity Pan American will take over all of that company's assets and assume all of its liabilities of record on the effective date of dissolution. The long term indebtedness will be written off by Pan American as a bad debt and charged to the latter's surplus account. The item of \$7,348.87 representing the excess of liabilities over assets will also be charged to surplus and the item of \$158,500 representing the book value of the capital stock will be treated as an operating loss. A witness for Pan American disclaimed any intention of placing a purchase value on UMCA's certificate or of capitalizing any of the company's losses for rate making purposes. Pan American, however, re-

serves the right to request mail pay for any operations performed over the route after the transfer of the certificate.

Pan American represents that for the reasons hereinbefore set forth the elimination of UMCA as a corporate entity would require practically no changes in operation. It asserts that the route would be operated with the same Pan American aircraft and flight crews; and the ground facilities, traffic and sales will be supplied either by Pan American or its affiliate AVIANCA.³ The latter company has for several years been providing all of these services for UMCA at Medellin and is now in the process of acquiring all of that company's facilities and personnel at Turbo. UMCA's only employee who is stationed at Turbo will be transferred to the payroll of AVIANCA. Pan American points out that UMCA has for many years used standard Pan American tickets and other traffic forms and that Pan American is named as a party in all traffic agreements between UMCA and other agencies. Thus, Pan American [fol. 3015] concludes that UMCA's operation has been so integrated into Pan American's system that the elimination of this carrier as a corporate entity is a mere formality which has as its purpose the simplification of Pan American's corporate structure.

Pan American cites many advantages that will result from the approval of the acquisition. Important among them are the elimination of separate legal representation in behalf of UMCA before the Colombian Government; the elimination of separate directors and stockholders meetings; the elimination of the allocation of expenses and charges of Pan American aircraft to UMCA; the elimination of separate income tax reporting to the Colombian

³ AVIANCA, a Colombian carrier, is the holder of a foreign air carrier permit from the Board, authorizing the air transportation of persons, property and mail between Bogota, Colombia and Balboa, Canal Zone with or without intermediate stops in Colombia and between Barranquilla, Colombia and Miami, Fla., without intermediate stops. The permit was granted in the proceeding entitled *Colombian Airlines, Air Carrier Permit*, 7 C.A.B. 149 (1946). Pan American is the owner of 48 percent of AVIANCA's outstanding capital stock.

Government; the elimination of periodic reporting to the Securities and Exchange Commission by Pan American as owner of UMCA's capital stock; and the elimination of the requirement with respect to Board approval of interlocking directorates and inter-company contracts. In addition to the savings that allegedly will result from the elimination of the foregoing functions Pan American asserts that the approval of the acquisition and transfer of the certificate will also preserve for it the revenue derived from the beyond terminal passengers interchanged with UMCA at the Canal Zone for transportation to and from points in Central America, Mexico and the United States.

In spite of the losses sustained by UMCA in its operations Pan American believes that the public interest requires the continuance of the operation because of the close business relationship that exists between the United States and Medellin area and because of the outlet which the service will provide to Medellin to other parts of the world through the Canal Zone. With respect to UMCA's losses Pan American believes that they are relatively small especially when it is considered that throughout its entire period of operation the service has been conducted without the benefit of mail pay by the United States Government. On the other hand Pan American contends that losses attributable to UMCA have been offset in certain respects by benefits to Pan American. Thus, Pan American charges UMCA a ten percent commission on sales and with a portion of its overhead expenses for maintenance of the latter's aircraft even though no additional personnel or facilities are required on the part of Pan American to perform the service. The record shows that the approval of the transaction proposed herein will have no effect whatever on the competitive situation between Pan American and other carriers operating in that area.

CONCLUSIONS

While section 401(i) requires an affirmative finding that the proposed transfer will be consistent with the public interest and section 408 requires a negative finding that it will not be inconsistent with the public interest, the dis-

inction between affirmative and negative findings is unimportant since the public interest is the primary consideration in either of them. Public Counsel contends that the statement in the *Mayflower* case,⁴ "In considering the transfer of a certificate the Board must consider along with the advantages of improved service lower costs and other factors affecting service, safety, and economy, the question of whether the proposed transfer will assist in effectuating the overall transportation policy of the Act and thereby be consistent with the public interest," is the test which governs the instant proposal. Public Counsel contends [fol. 3017] that the evidence does not show that this transaction meets the above tests. It is asserted that the transaction will not provide improved service to the travelling public since Pan American has been operating the service for years, that it will not result in any change of personnel responsible for operation of the existing service, and that as a result the transfer of the route cannot be based upon better service to the public.

On the other hand, Pan American asserts that the case cited by Public Counsel is not pertinent to the instant proceeding as it is a case where the Board was asked to pass upon the proposal to effectuate changes in the air transportation pattern by approving the transfer of certificates from one entirely independent carrier to another. Pan American argues that the Pan American Airways, Inc., et al., merger case⁵ and the Pan American Airways acquisition of China National⁶ are the only cases ever decided by the Board which are directly in point with the instant proposal. In the first case, Pan American sought approval for simplification of its corporate structure by transferring certificates from various subsidiaries, this to be followed by dissolution of the subsidiaries whose certificates were to be transferred. The transaction was ap-

⁴ *Acquisition of Mayflower Air. By Northeast Air.*, 4 C.A.B. 680 (1944).

⁵ *Pan Am. Airways, Inc., et al., Merger*, 2 C.A.B. 503 (1940).

⁶ *Pan Am. Airways, Acquisition of China National*, 6 C.A.B. 143 (1944).

proved upon a finding that it would simplify intercorporate relationship, effect savings by eliminating additional taxes which result from carrying on operations through separate corporate entities, simplify the keeping of accounts and records and the making of reports to governmental bodies, [fol. 3018] coordinating supervision of operations and simplify certain details of operations. The second case involved the acquisition by Pan American of the stock of China National Aviation Corporation, theretofore owned by Pan American's wholly owned subsidiary China Airways Federal, and the further transfer of China National's stock to be so acquired by Pan American Airways to Pan American Airways Corp. The evidence shows that the proposed transaction would simplify intercorporate relationships, would eliminate the necessity of holding separate directors' and stockholders' meetings, keeping of various accounts and records, would effect tax savings since the maintenance of UMCA as a separate corporate entity requires payment of state franchise taxes, would eliminate the keeping of accounts and records and making out reports to the Board, the Bureau of Internal Revenue, Securities and Exchange Commission, and other governmental bodies, would simplify the work of administering the operation by permitting Pan American's management to take direct action without having to go through the formalities of securing authorization from the UMCA Board of Directors, and would simplify certain details of operations such as time tables, tickets, traffic documents and inter-line traffic agreements.

The argument between Public Counsel and Pan American as to which of the above cases is in point with the instant proceeding becomes largely academic with the statement by Public Counsel that if the issue of financial support was not present he would favor approval for while there is no substantial evidence to affirmatively support the transaction, there is no substantial evidence against it. Public Counsel views the real crux of the transaction to be the question of financial support for a Canal Zone-Colombian operation by the Federal Government through mail pay compensation. The net loss of UMCA for the year

ending December 31, 1947, was approximately \$55,000. [fol. 3019] Public Counsel asserts that it is clear from the record that Pan American intends to seek financial support for the continued operation of the Balboa-Medellin service through the inclusion of the operation in the consideration of future mail rates for its Latin American division. Public Counsel contends that although this route has never been certificated for mail service, the Board would be legally bound under its decision in the Chicago and Southern rate case⁷ to consider these operations in determining the mail rate for Pan American. The Board has refused to compensate Pan American for schedules on its Alaskan-Fairbanks-Bethel route⁸ which was not certificated for mail. However, it is pointed out that the non-mail operation there involved was a grandfather operation, while the Canal Zone-Medellin certificate here involved was granted after hearing and a finding that the route was required by the public convenience and necessity.

Pan American agrees that under the Chicago and Southern case it could ask the Board to consider whether the results of operation between the Canal Zone and Medellin could be taken in account in determining its mail pay needs, that the Board has held that the objectives of the Act require it to consider such questions but they do not dictate the results of such consideration. It points out that the assumption of Public Counsel that if the route is transferred to Pan American it would result in imposing upon the government the burden of a route which last year lost [fol. 3020] \$55,000 is not necessarily correct. It contends that on an added cost basis the route did not sustain the loss, that with the introduction of mere efficient twin-engine equipment the entire cost picture will be changed.

⁶ It may be assumed that some saving will be effected by Pan American through the elimination of the duplicating functions performed in behalf of UMCA and the simplifica-

⁷ *Chicago and Sou. A.L., Mail Rates—Routes Nos. 8 and 53*, 3 C.A.B. 161 (1941).

⁸ *Pan Am. Airways, Inc., Alaska Mail Rates*, 6 C.A.B. 61 (1944).

tion of its corporate structure. During its 16 years of operation, UMCA operated without the benefit of mail pay at an average net loss of about \$16,000 per year. Potential economies which Pan American points out would result if UMCA should be absorbed into the Pan American system, may substantially reduce or entirely eliminate these losses. It would appear therefore that at the most there is only a remote possibility that the continuance of this service by Pan American may result in higher mail pay to that carrier. Moreover, the transfer of the route does not impose anything on the government except an obligation to consider the question of whether the Balboa-Medellin operation performed such functions that mail pay ought to be accorded in the public interest. Whether the Board should compensate Pan American for operations over this segment under the doctrine of the Chicago and Southern case or should disregard them as it did Pan American's Fairbanks-Bethel segment is a question which properly belongs to a mail rate proceeding. It may be that the circumstances surrounding operation of the route by Pan American, especially the fact that the operation which the Board found required by the public convenience and necessity was Balboa-Turbo—not Balboa-Medellin and that there is no mail authorization for the Turbo-Medellin segment, present a situation so different from that in the Chicago and Southern case that the principles enumerated therein would be inapplicable in this instance.

[fol. 3021] It is suggested by Public Counsel that there may not be any Colombian permit by the end of the year and that perhaps the application herein should be denied without prejudice to a renewal after the conclusion of bilateral negotiations between the United States and Colombia. However, it should be pointed out that the Board has held in a number of cases that the issuance of a certificate is not dependent upon a showing either that foreign operating rights have been obtained or can be obtained and the Board has issued a number of certificates for which operating rights were yet to be obtained.* Under this above theory,

* *Northeast Air, et al., North Atlantic Routes*, 6 C.A.B. 319 (1945). *Latin American Air Service*, 6 C.A.B. 857 (1946).

the Board would scarcely ever be in position to approve the transfer of a certificate to engage in international transportation as operating rights in most such cases are subject to termination by the action of a foreign government.

The transaction involves no specific purchase price; the consideration is only the assumption of UMCA liabilities which include \$89,693 owed to Pan American in return for operation of the route for UMCA by Pan American, and \$7,348 of excess liabilities over assets exclusive of the debts to Pan American. In addition, Pan American will lose its investment in UMCA now carried in its books at \$158,500. Thus, in effect Pan American will be paying approximately \$250,000 for the certificate of UMCA. However, the situation in the present transaction involves nothing more than a bookkeeping transaction. The \$90,000 investment will be lost to Pan American whether it continues to operate UMCA, transfer the certificate to itself, or dissolve the corporation and abandon the route. A more serious question presented is whether or not these losses will be transferred to the government and the traveling public which could result if Pan American were able to either charge the losses off as operating expenses or to capitalize them and put them into its investment base for mail rate purposes. Pan American's officials testified that the investment and UMCA's past operating losses will be treated for accounting and tax purposes as operating losses, that both will be charged to surplus, and that the Board will not be requested to consider them in any rate proceeding. While accepting Pan American's statements in this respect, nevertheless, for the benefit of the public which may not be familiar with Pan American's balance sheet, it is recommended that the Board follow the same procedure as used in the Western-United Route 68 transfer case¹⁰ and attach a condition that Pan American charge the \$255,000 amount involved to surplus.

There is nothing of record which would warrant a finding that the transfer of UMCA's property and certificate to

¹⁰ United-Western, Acquisition Air Carrier Property, 8 C.A.B. 298 (1947).

Pan American will result in a monopoly within the meaning of section 408, which would thereby restrain competition or jeopardize another air carrier not a party to the transaction.

On the basis of all of the foregoing considerations and all of the facts of record, it is recommended that the Board find that the proposed acquisition by Pan American of all the property of UMCA and transfer to Pan American of the certificate of public convenience and necessity of UMCA is consistent with the public interest within the meaning of sections 401(i), 408(a) and 408(b) of the Act, and that both transactions be approved.

[fol. 3023]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 273

J. P. G. JR.
TRIP SERIES No. 47

Lima, December 5th., 1948.

Mr. H. J. Roig,
W. R. Grace & Co.
New York.

PANAGRA

Dear Mr. Roig:

I wanted to wait until the last day of our trip to write you concerning my impressions, ideas, suggestions, etc., concerning Panagra garnered while flying up and down the West Coast for the last six or seven weeks.

In the first place, I would like to say without any reservations that I have never tasted such good food as I have on the various trips I have made on Panagra this trip. In my opinion (and it is shared by all of the passengers with whom I have talked) Panagra does the best job of any commercial airline either in or outside of the U.S. on the food that it serves its passengers.

In the second place, Panagra service both on and off the airplanes appeared to me to be tops. Stewards and stew-

ardesses who have travelled with us have been extremely solicitous of the passengers' wants in every respect and that did not just include our party—as far as I could notice, we happily, received no favoritism.

There are two subject however, concerning which I would like to give you my views and suggestions for whatever they are worth. These are:

- 1) The subject of delays
- 2) The question of more and more evidence south of Balboa that we are an appendage of Pan American World Airways.

With respect to (1), the following shows a rough tabulation [fol. 3024] of my own travels on Panagra/P.A.A. and Avianca:

First trip:	—Left and arrived two hours late—
Miami/Lima	Reason given passengers—maintenance
DC 6—Panagra	
Second trip:	—Left and arrived (one motor coughing part of the way) over three hours late.
Lima/Santiago	
DC 6—Panagra	Reason given—maintenance
Third trip:	—Left an hour late and arrived about two hours late
Santiago/Balboa	
DC 6—Panagra	Reason given—headwinds
	—Left and arrived on time
Fourth trip:	
Balboa/Quito	
DC 3—Panagra	
Fifth trip:	—Left and arrived on time
Quito/Cali	
DC 3—Panagra	
Sixth trip:	—Left and arrived on time
Pereira/Bogota	
DC 3—Avianca	

Seventh trip: —Left and arrived on time

Bogota/Barranquilla

DC 3—Avianca

Eighth trip: —Left and arrived 15 minutes late

Barranquilla/Balboa

Convair 240—P.A.A.

No reason given

Ninth trip:

Balboa/Lima

—Left and arrived 21½ hours late, arrived with one motor stopped because of suspected fire.

Reason given for original delay—
maintenance

Tenth trip:

Lima/Miami

DC 6—Panagra

—Have not started yet but scheduled to leave 20 hours late, which means that will arrive Miami at 2 or 3 o'clock in the morning with no connection to N.Y. until 8:30 a.m. and with another DC 6 coming in, if on time, total passengers on the two DC 6's, over 80, many of whom will be trying to connect and quite a few will not be able to.

Reason given: Cylinder change—9 hrs. until bad weather set in over Tucuman and until it was dark in the Mendoza pass and southern pass

[fol. 3025]

will not be authorized for night flying for another three or four days.

In addition to my experiences on the DC 6 chronicled above, Flatow arrived in Santiago 15 hours late on a Panagra DC 6.

Every DC 6 that I have been on, or had anything to do with, on this trip (with the exception of Andrew's north-bound trip Santiago/Lima which left Santiago on time) has been anywhere from 2 to 20 hours late.

I know that you are thoroughly cognizant of the problems we are having with the DC 6's, but it really seems a lot more serious when you get down on the Coast and go through experiences such as ours. The inconvenience caused the travelling public is of course making a lot of enemies for the company since most of the passengers are not being given information as detailed as we are receiving and are thus standing around airports and waiting in hotel rooms getting worked up.

We, of course, have heard a lot of complaints and use the standard argument that it is better to take off late with good maintenance than on time in an unsafe airplane. But, of course, the sore passenger is left with the feeling that he doesn't experience delays in anything like the percentage he experiences on Panagra when he travels on U.S. certified airlines in the U.S. and he presumably is just as safe.

It might be said here that of course the competition is taking full advantage of the Panagra delay situation by spreading stories (exaggerated in many instances of course, but with foundation in many others) of delays in EL INTERAMERICANO. We are informed that this propaganda takes the form of referring to EL INTERAMERICANO as "El Interrumpido").

[fol. 3026] The reasons for all this are, of course, obvious and in our view are two fold:

- 1) Due to the relatively small size of Panagra in number of planes, i.e., only five DC 6's and due to the relatively large number of route miles covered and the tremendous distance between the two terminals, if anything goes wrong with the plane at one of the terminals, say B.A., nothing can be done about it except to wait. In the case of the large U.S. lines (we notice both T.W.A. and American are running excursion tours around Los Angeles every evening with dinner served aloft) they have sufficient alternate planes to call upon by just substituting a plane scheduled to take off later for the plane requiring maintenance. Panagra can't do this and if the maintenance is 20 hours, everybody waits 20 hours with consequent increase in expenses, upsetting of plans,

frayed tempers, etc. Unfortunately, the public does not know enough about the air transport business to appreciate the problems peculiar to Panagra.

- 2) We have seen no figures on Panagra maintenance delays on DC 6's vs. other U.S. certificated airlines maintenance delays on their DC 6's, but we have the very definite opinion that Panagra is experiencing many more delays percentwise than the other airlines. Maybe this is due to the Panair maintenance at Miami, but whatever it is due to, in our opinion, now that the rate case is pretty well along the line, *this problem represents the most serious problem that Panagra is faced with today,* possibly other than getting through to New York since the extra speed of the DC 6's vs. PIA's DC 4's and Braniff's cut-rate DC 4's is largely being off-set by these consistent and serious delays.

There is obviously only one solution to the problem raised in N. 2 above and that is to concentrate the best brains in the company right in Miami until this situation can be remedied. Every maintenance delay should be catalogued with the details of the time consumed, reason for the delay, work done, etc. Detailed information should be obtained on the experience of other U.S. certificated airlines with DC 6's as up to the minute as possible so that Pan American can be put on notice of the deficiency in their maintenance and so that Pratt and Whitney can bring us up to the other airlines' standards.

If it turns out that we are going to have to live with the DC 6's with anything like their present record, we strongly recommend that we explain to the CAB and get them to include in our mail pay sufficiently more money to amortize, maintain, etc. buy two more DC 6's, to be kept at either end of the line so that we can put another plane in when these two, five, ten, twenty-hour delays come along. Other airlines can substitute a plane for one delayed by maintenance—even National, with its five DC 6's shuttling between New York and Miami is in a much more flexible position than Panagra and the CAB should recognize this.

Unless we take some definite constructive steps to remedy this situation in a really important manner, Panagra will not stand up well in the public's mind when compared to other airlines. Delays down here now are so numerous that an on-time departure is the exception rather than the rule and one hears comments such as, "the Miami plane north-bound left on time tonight" mentioned in surprised tones by even the Panagra staff.

The second basic subject that we wanted to take up with you as mentioned on Page 1 is the increasing evidence of Pan American World Airways' intervention in Panagra's activities on every Panagra plane one travels on.

This is really serious but it can be remedied overnight if everybody will pitch in and do a job to preserve the identity of Panagra as such. We know that there is no one connected with Panagra or Grace who wants to keep Panagra as an independent entity both actually and in the public's mind more than you. You have fought this battle for years and against great odds. With this in mind, we feel that you would be shocked by what we have come across on this trip and we propose to catalogue what we have seen below:

[fol. 3028] 1) We arrived in Miami six weeks ago tomorrow and were greeted at the Eastern Airlines gate by both Burke and Greenfield and personally escorted to the Pan American counter to be checked in for the EL INTERAMERICANO flight scheduled to depart about an hour and a quarter later. When we arrived at the Pan American counter every counter had a sign on it indicating that *only* those passengers travelling to Havana on the Panamerican flight departing one-half hour before the EL INTERAMERICANO could check in.

Burke went up and whispered something to a counter clerk and we were taken care of at one of these counters immediately—obviously as a special favor. We have absolutely no complaint on the way in which we were treated. Burke made sure that everyone knew who we were. But what concerned us were those passengers

who didn't know Burke or Greenfield and had to wait until the Havana plane took off before they could be checked in, i.e. they had to wait about half an hour.

No Panagra identification was seen the entire evening on any of the Pan American counters although later a sign went up "EL INTERAMERICANO" which in the public's mind therefore was a Pan American flight (which it is) but it was our definite recollection that P.A.A. agreed in the contract with W. R. Grace & Co. to place at all of their counters serving Panagra or Pan American passengers suitable identification either Panagra or Pan American Grace Airways. When we spoke to Shannon about this he said that Burke told him that they just didn't happen to have them up that night. It's obvious, of course, that they didn't pick the one night I was coming through not to put the signs up and it follows that when the signs are up, if ever, it is the exception rather than the rule.

The above indicates to us that our Miami personnel is either unaware of or doesn't care about enforcing the agreement reached between W. R. Grace & Co. and Pan American Airways which states that Panagra must be always identified at the counters where passengers going out on Panagra planes are handled. We feel that this is an important condition and must be lived up to.

- 2) As soon as we got on the plane and started off we pulled out the Pan American folder at the seat which listed the following items as being available simply for the asking:

[fol. 3029]

Gin Rummy Board
 Non-skid checkerboard
 Writing Portfolio
 Playing cards
 Magazines
 Newspapers
 Post Cards
 Aviation Guide

(schedules and tariffs on all Airlines)

Hotel Red Book

Book Matches
 Chewing Gum
 Kleenex
 Medical Kit
 Benzedrine Inhalers
 Trinesium (for indigestion)
 Ammonia
 Air-sick tablets
 Aspirin
 Mouthwash
 Electric Razor

I rang the bell and asked the stewardess for the non-skid checkerboard. She said she was sorry that it was not on the plane—I asked, why not? She said that the Panagra planes didn't carry non-skid checkerboards (or any kind of checkerboards for that matter) and that the list that I had in my hand was a Pan American list and that it did not tie in with the inventory of articles carried on Panagra planes. She said that in addition to not having the non-skid checkerboard, she didn't have the Gin Rummy Board, *the playing cards, the post cards, the Hotel Red Book, Trinesium* and last (and probably least) the mouthwash. (She also informed me that although Panagra planes do carry electric razors, through an oversight they did not have on board the electric razor which was being repaired and which had not been replaced by an alternate.)

We are sure that you would not want any such sloppy handling as outlined above to exist and someone should be detailed to eradicating this situation immediately.

Also in the Pan American envelope is a copy of the Pan American World Airways System Timetable. As you know, Panagra's main services are all thrown in together on part of a page which also includes Cubana services, Avianca services and, of course, Pan American Services—the Miami/Kingston/Barranquilla service. Although Avianca connects with Panagra, to our knowledge neither Cubana nor the PAA Miami/Kingston/Barranquilla service connect with any Panagra service. We

*Above material in italics, handwritten addition.

feel that Panagra should have a page all to itself for the above reasons and because the putting of these extraneous services on the same page with Panagra necessitates showing Panagra's domestic service in Ecuador eight pages further along on Page 15.

fol. 3030] (3) At one's seat on Panagra plane south of Balboa one finds a booklet entitled "South America a World for Play, Just a Day Away". In this booklet mention is made of a larger pamphlet available if the Panagra passenger will ask his travel agent or get in touch with his nearest Pan American World Airways office. For the sake of Panagra prestige and in order that Panagra does not look like the merest appendage to PAA, wouldn't it be well to also say "or get in touch with his nearest Panagra office in South America" just so that everyone knows that Panagra does have an office?

(4) As soon as we left Balboa on the Panagra plane this time a Panagra flight we were served orange juice in cups marked with the blue PAA markings, in other words, with Pan American equipment. The next morning with our very good breakfast we were served cheese sandwiches (as stated above the breakfast was swell but I think that cheese sandwiches are an unnecessary addition to a breakfast) and these cheese sandwiches were wrapped in PAA envelopes with the familiar blue markings—we were then almost in Lima.

South of Lima, lunch was served with Pan American napkins, butter containers, salt and pepper containers and with Pan American silver, all with the prominent and familiar PAA markings.

South of Balboa, no one had bothered to take off the Pan American Clipper folders and there they were just as you find them on the Clippers containing all the Pan American propaganda and, of course, still with the phoney list of items available to passengers, which weren't available. We had thought these folders were to be removed at Balboa.

Worse than any of the above in our opinion from a technical viewpoint was the prominent display on the three airplanes we travelled on all south of Balboa of the following sign:

"This aircraft is owned by Pan American Grace Airways, Inc., (Panagra) and is being operated by Pan American World Airways, Inc., pursuant to an agreement between Panagra and Pan American World Airways, Inc., approved by the Civil Aeronautics Board."

Being Grace men and Panagra men, this was about the pay-off and we went right after the people in Lima about this. We found that the stewards and stewardesses are not allowed to either remove or turn this sign to the wall but that it has to be done by the operating people in Balboa. The result is that the operating people forget, but they only forget south of [fol. 3031] Balboa, never north, and with the added result that the passengers are informed on DC-6's at every point of Panagra's line that the flight is a Pan American flight. This, of course, must be stopped and someone should look into the ridiculous rule that only the operating people can touch the sign.

- (5) The pay-off of our finding evidence of Pan American intervention in our business south of Balboa came on Thanksgiving Day when the purser on the Panagra DC-3 came to me between Cali and Quito and showed me a Pan American World Airways menu signed by Capt. W. R. Sripps (a Panagra pilot) wishing us all a happy Thanksgiving Day and listing 21 items of the unusual lunch we were to be served. The purser said that he didn't have all of the items listed on the menu and he asked me if I thought he should distribute the menu. I asked him how many of the 21 items he did not have and we counted 11 items not on the plane. I attach the menu hereto for your ready reference and the items listed on the menu and not on the plane are as follows:

Martinis
 Queen Olives
 Hearts of Celery
 Fresh Cranberry and Orange relish
 Essence of Tomato
 Salted Wheatworth Wafers
 Grapefruit and Red Apple Salad
 Linga French Dressing
 Frozen Rum Custard
 Brown Sugar Cookies
 Mints

Naturally, with more than 50% of the items listed on the menu not on board the plane, Jim Magner and I advised the purser not to distribute the menu and disappoint the passengers.

You will note that Pan American Airways sticks out all over the menu.

- (6) On the same Panagra DC-3 flight (Balboa-Quito), the coffee cup, the envelope for the sandwiches and all of the packages of granulated sugar were marked "Pan American World Airways"—no mention of Panagra. This situation should be remedied immediately as the net of our contract is to put Pan American on every Panagra plane anywhere north or south of Balboa whether the airplane be a DC-3 or a DC-6, or so it seems from what we have observed.
- (7) When the Thanksgiving Lunch (missing the 11 items shown above) was finally served, we were greeted with Pan American salt and pepper containers, more Pan American sugar envelopes, a Parker House roll wrapped in an envelope marked Pan American World Airways, Inc., a cup for our wine marked Pan American World Airways, Inc., a fruit cup dish enclosed in a Pan American World Airways cup, and all of these [Col. 3032] items prominently displayed the distinctive blue and red coloring of Pan American and none of the green of Panagra.
- (8) With our Thanksgiving lunch we received a bottle of wine, marked "Private Stock PAA" and further stating

"Bottled and Sealed at our Winery in California for Pan American World Airways (signed Chileco Vineyards Company, Fresno, California. "). The wine was not as good as Chilean wine which we could easily have bottled for the "Panagra private stock". The label on the wine bottle was in the familiar blue and red of Panair with the familiar Pan American emblem on the label.

- (9) I attach hereto a copy of letter received by Colina, the head of our Insurance Department here in Lima, from Porter Norris, Manager of Traffic, Pan American World Airways System, Miami, Florida, which, as you will note, apologizes in Spanish for the delay in the recent "Clipper Flight to Lima". Obviously Colina did not fly by Pan American Clipper to Lima. Inasmuch as these were Panagra passengers (i.e., the business really was originated by Panagra) and since Colina is a Peruvian with whom Panagra must keep on good relations, it seems to us that it would be far better for these letters to go out from the Panagra organization here and not from Pan American in Miami. Evidently, Mason does write such letters also but in this case Colina didn't hear from Mason and only heard from Pan American. It seems this ought to be stopped.

I don't know whether or not you will agree with the statement in the Pan American letter which says that Pan American "... nos ha hecho lograr una seguridad en nuestros vuelos que no ha sido igualada en la historia de la aviacion internacional." The statement seems a little broad to us particularly since Pan American has cracked people up recently, witness Shannon, Lisbon, etc.

As Jim Wagner said while we have been on this trip there is far more evidence today of Pan American all over Panagra's route than there was in 1943 when he was last down here. It was very noticeable to him everywhere. When we signed the now famous contract with Pan American we all realized we were losing our identity north of Balboa (i.e., losing any identity we might have had had

We could take our aircraft on a route but no one ever thought that we would gradually and in an ever increasing manner lose our identity south of Balboa, i.e., on the route that we [fol. 3033] have operated for 20 years.

While in Quito we visited our Quito office and the most prominent Panagra sign was a huge picture of New York with Pan American Constellations flying over the Brooklyn Bridge. Bourne told us in Cali that this was a Pan American advertisement we purchased and over-printed with Panagra's name; but couldn't eliminate the Pan American planes, with the familiar three pronged Constellation tail. Unless the purchase of this was made at a tremendous saving percentagewise, we question the advisability of it.

✓ To get back to the question of the tremendous delays and interruptions on the DC-6 flights with one general comment before closing, we feel that some disinterested executive with an entirely fresh viewpoint (not pro-Pan American and not anti-Pan American) should investigate the Pan American maintenance situation in Miami. Undoubtedly since Kirkland's transfer some improvement has been made, but not enough. The situation is still serious. In July of this year Jimmy Walker stated outright, according to Moore, that PAA was giving undue preference to maintenance of PAA equipment to the prejudice of Panagra work. Moore questioned Shannon about it when they were together in Miami on July 24 and Shannon categorically denied it. Nevertheless, it really seems that some disinterested executive should make a comprehensive report on this serious matter in view of the extent to which Panagra is being hurt, and severely hurt, with these delays.

I have undoubtedly taken up a lot of your time by going into such tremendous detail of everything that I saw and of everything that occurred to me during my trip. I have [fol. 3034] done so because I wanted you to see things as I saw them and because I wanted to give you visually the panorama as it unfolded before us during our travels.

I know your attitude and your personal pride in Panagra and I am sure that you will take immediate and effective steps to improve the situation outlined above.

Very truly yours,

J D G

[Ex. 3035]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 274

COPY

NATIONAL AIRLINES
INCORPORATED3240 N. W. 27th Ave.
Miami 37, Florida
December 15, 1948

Mr. Harold J. Roig
President, Pan American Grace Airways, Inc.
7 Hanover Square
New York, N. Y.

Dear Mr. Roig:

Passengers could travel by air without change of planes between the major cities served by our respective companies in North and South America if our companies entered into an equipment interchange agreement. Therefore, I am proposing to you that we interchange equipment at Miami so that thru-service can be operated without change of planes between New York, N. Y. and Buenos Aires, Argentina, via certain intermediate certificated cities. If you are interested, I shall be pleased to designate some one in our organization to sit down with your representatives to negotiate an agreement for submission to the Civil Aeronautics Board for approval.

For his information, I am sending a copy of this letter to Mr. Juan Trippe, President of Pan American Airways.

Awaiting your early reply, I am, with kind regards and greetings of the season,

Sincerely yours,

NATIONAL AIRLINES, INC.

G. T. Baker
President

[fol. 3036]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 275

(Letterhead of Loftin, Anderson, Scott, McCarthy &
Preston, Ingraham Building, Box 10629,
Miami 6, Florida)

January 24, 1949

Mr. Juan T. Trippe, President/
Pan American World Airways System
Chrysler Building
135 East 42nd Street
New York 17, N. Y.

Dear Mr. Trippe:

The attached memorandum is an outline of an arrangement which I would be willing to recommend to the Board of National. With kindest personal regards, I am

Very sincerely,

/s/ Paul R. Scott

PRS/me
Enclosure

COPY

[fol. 3037] PAA will purchase 174,000 shares of NAL's unissued stock for cash at \$5.50 per share, or at a price per share equivalent to 90 percent of the average of the daily closing price of NAL on the New York Stock Exchange from January 1, 1948 to the day preceding the date of delivery and payment, whichever is the greater. Delivery and payment therefor is to be made as soon as a contract can be prepared and signed by PAA and NAL, formalizing the following agreement:

(a) NAL to increase its authorized shares to 1,500,000. Subject to the approval of the CAB, PAA agrees to purchase additional shares of NAL so that, including the 174,000 shares, it will own 45% of the total outstanding stock of NAL after such additional purchase. NAL now has pending an application for increased mail pay retroactive to July 14, 1947. On the

last day of the month in which the CAB shall finally determine said application and NAL shall accept such determination, the adjusted book value of NAL's stock shall be determined. In such determination, flight equipment, including spares, and real-estate shall be valued at then current market values. If the parties cannot agree on market values, the same shall be fixed by arbitration. Said adjusted book value shall be arrived at within sixty days from the last day of the month in which NAL's pending mail pay application shall be finally determined and accepted. Within ten days after NAL's adjusted book value shall have been so determined, PAA shall make payment for said additional shares at a price per share equal to said adjusted book value either in cash or at the option of PAA [fol. 3038] by delivery to NAL of PAA shares at a price per share equal to 90 percent of the average daily closing price on the New York Stock Exchange for sixty days prior to the date of delivery.

(b) Subject to the approval of the CAB, interchange agreements between PAA and NAL, where the same shall be mutually advantageous; it is understood that such equipment interchange shall include Panagra.

(c) Subject to the approval of the CAB, agreements for the leasing of flight equipment, where the same shall be mutually advantageous.

(d) Joint use of facilities, where the same shall be mutually advantageous.

(e) On approval of the CAB, NAL agrees that five of its eleven Directors shall be nominees of PAA.

[Vol. 3039]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 276

BRANIFF

Buenos Aires,
January 26, 1949Mr. Douglas Campbell, Vice President
c/o Panagra
SANTIAGO

Dear Mr. Campbell:

This will serve to advise you that at a luncheon the undersigned had today with one of the American Embassy officials, the following points were mentioned:

Firstly: that Braniff is understood to be planning on extending its lines from Lima to Rio de Janeiro within the next 90 days.

Secondly: that Braniff is contemplating the inauguration of a shuttle service between Lima and La Paz.

Thirdly: that the Embassy has advised Mr. Bennett, in no uncertain terms, that he should be very cautious in his dealings with the Argentine Government officials. It would appear that the State Department has taken a similar action in Washington with Mr. Braniff.

Fourthly: the U.S. Embassy has been advised by the Argentine Foreign Office that their reply on the route pattern will be forwarded to them before the end of this month.

It will certainly not escape your attention that the above information should be regarded as confidential.

Very truly yours,

PAN AMERICAN ARGENTINA, S. A.

P. Magnimarian

VP Balluder—NY

CC: Panagra—NY (2). VP Morrison—NYC

[

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[

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[fol. 3040]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 277

COPY. Sent to Drescher on TS 2-23-49 "Note Hon's statement in 3rd paragraph. Is that true? PN"

~~Jan~~ February 17, 1949

Div Advertising Mgr

Traffic Manager

LAD

Pan American Argentina, SA

Mia

Buenos Aires

WINDOW DISPLAYS

Confidential

In reply to your memorandum of February 9, same subject, I would like to call your attention to your third paragraph in particular. For an answer to Mr. Toomey's impression concerning "El Panamericano" advertising, I refer you to our memorandum to you of today's date. Regarding Mr. Toomey's impression relative to the *Pan American Airways System* (Not PAB's) Four Continent Excursion Rate, we would like to bring to your attention the following information:

1. The Pan American Airways System Four Continent Excursion Rate went into effect on December 4, 1948 with sale of this special excursion permitted up to and including February 28 *only*.
2. At the time of its announcement, this special excursion fare offered the best possibilities for drawing some revenue away from Panagra's El Interamericano and putting some passengers on PAA's trip 201 for the entire haul from New York to Buenos Aires.
3. At the time that this special excursion rate became effective, our peso collections for both Panagra and PAA were being blocked (as they still are) and the possibility of converting these into dollars was quite remote. We were the only ones to perceive that by selling these Four Continent Excursion Rate tickets here on PAB ticket forms we were able to remit cruzeiros to PAB for the entire circle trip involved and PAB, in turn, would be required to remit.

much-needed dollars to Pan American Airways for their portion of the trip (55%).

4. By organizing the sale advertising-promotional efforts of this office and by generating a PAA-PAB special newspaper and direct mail advertising campaign during the month of January, we were able to sell more than 150 of these special excursion trips, many of which I can assure you were purely "created" sales involving a total dollar remitted revenue for PAA in the amount of approximately US\$ 90,000.

Despite the above, please do not get the impression that the Four Continent Excursion Rate was all we had on our mind. As far back as January 10 I had talked to Mr. Campbell of Panagra about a joint PAA-Panagra direct mail folder to be printed and distributed here in Argentina with the theme "Sleep your way to the United States" and, as far back as January 14 I had requested your office to send me a mock-up of the sleeperette seat which could be used as a display in our City Sales Office. In addition, we received full coverage in all Argentine newspapers for our publicity releases and pictures on the new sleeperette service. I am still waiting for the mock-up of the sleeperette seat but I am ready to proceed on the direct mail folder for which I have Panagra's full approval on text and diagram. The diagram will show a map of South America and the United States with Panagra's Interamericano route and PAA's El Panamericano route in heavy lines and other System lines in lighter print. On the Pacific side there will be sketch of the berth accommodations with full reference to guest houses availability. A copy of the text is attached and it is requested, if you find this acceptable, you wire your approval so that as soon as the printer's strike is over we can proceed with this item. The estimated cost for thirteen thousand copies (three thousand English and ten thousand Spanish) is m\$ 1,800.00 to each company. I feel certain that you will be more than satisfied with this item and would like to proceed at once.

In closing I would like to point out that this office has a more or less equal responsibility to advertise, promote and

sell the service of the three carriers serving this area namely, Pan American, Panagra and Panair do Brasil. It will quite often happen that the representative of one of these companies will appear in Buenos Aires for a few days and depart with the feeling that someone else seems to be getting a better break on the advertising and promotion than his company. Unfortunately, Mr. Toomey did not discuss the matter with me at all and, in fact, when I explained to him what our plans were he seemed to feel that we were fully protecting PAA's interests here as well as doing a good job for the other two carriers. Mr. Toomey was especially impressed by the PAB poster contest which was an outstanding success in every way and about which I will write you later. Please rest assured that we are attempting, at all times, to use the men, materials and [fol. 3041] advertising budgets available to this station to the best advantage of the three companies we represent and constantly striving to put the name of Pan American World Airways System and its associated carriers in the eyes of the Argentine travelling public in every possible way and will continue to do so. I can assure you that at least once a month someone from one of the three companies we represent criticizes us for doing too much for one of the other carriers. Over the period of a year I am certain all of our promotional efforts balance out and at least we can console ourselves with the fact that the complaints received boil down to "too much for somebody else" rather than "nothing for anybody".

/s/ JUAN HOMS, JR.

JH/eck

cc: Div Mgr—Mia
 Div Trfc Mgr—Mia
 Reg Trf Mgr—Rio
 Gen Mgr—Bue

[fol. 3042]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 278

July 26, 1949.

Actg. Pub. Rel. & Adv. Mgr.

Div. Sales & Adv. Mgr.

PAA Argentina, S.A.

LAD

Buenos Aires

Miami

WINDOW DISPLAYS

The window display photograph attached to your memo of July 11 is all very fine but I would think that the subject involved "Los Campeones Viajan" would have lent itself admirably to dual signature display advertising "El Panamericano" as well as "El Interamericano".

Some time ago we made an agreement that the window displays appearing in the window with the permanent Pan American lettering would be PAA displays, those in the Panagra window would be Panagra displays, etc. I notice that this Panagra display is in the Pan American window and think it would be better to have put it in the Panagra window.

To make a long story short, I seem to have been seeing more window displays on Panagra and PAB than on PAA and the "El Panamericano"—also tourist service. How about pepping up the effort on PAA window displays?

Original signed by Ernest L. Foss
Ernest L. Foss

ELF/jw

cc: Div. Traf. Mgr.—MIA

Gen. Mgr.—BUE

Traf. Mgr.—BUE

Reg. Traf. Mgr.—RIO

Actg. Asst. Adv. Mgr.—MIA

[fol. 3043]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 279

COPY

COPY

COMPANIA DE AVIACION PAN AMERICAN
ARGENTINA, S.A.

October 12th, 1949

Mr. H. W. Toomey,
Division Manager,
Latin American,
Miami.

Dear Mr. Toomey:

Yours of September 9th, to which was attached a copy of a memo addressed to you by Mr. Norris, on the subject of the Panagra Sales Office located at Buenos Aires.

Although there is no doubt a measure of truth in what Mr. Norris has to say regarding the advantages which the location of the Panagra Sales and Advertising Headquarters at Buenos Aires affords Panagra, vis-a-vis Pan American, it is my personal opinion that he has somewhat overstated the case.

Before the above office was moved from Lima to Buenos Aires, it was necessary for CAPAASA to supervise a great portion of the Panagra advertising in South America, this for the reason that no where else along the Panagra line was there a competent advertising agency. Not only did this supervision entail a great deal of work, including such tedious jobs as proof-reading time-tables, etc., but the arrangement gave rise to many exchanges, some none too pleasant when the work accomplished here did not correspond exactly to what some Panagra official in Lima had in mind. So far as most of us are concerned, I think I can say in all truthfulness that the removal of the Panagra office to this point, resulting in our being able to disassociate ourselves from a great part of the Panagra advertising chore, was acclaimed.

From the outset, it was fully understood that the Panagra staff here would undertake no direct solicitation work at this point, that job being reserved for the local company. In the main, I think that the agreement has not been flagrantly violated but it must inevitably be true that the Panagra people, living here, must have come to know a great many local people and I suppose they would hardly be quite human if, on occasion, they did not plug their line. By the same token, I am sure that they never miss an opportunity to plug the System, too. However, the fact is that the leading personalities involved, with the exception of the advertising manager, Eargman, spend a very great part of their time on the road, which is, of course, what they were hired to do in the accomplishment of their duties.

I think it true that Mr. Norris may be a bit overly concerned about possible direct solicitation undertaken here by these people. He certainly would not be able to offer any valid objection to personal calls on local agents and customers by these Panagra employees had they their homes in another city and paid us occasional visits, such as are sometimes, but rather infrequently, paid us by PAA sales representatives stationed at Rio, Miami, etc. The fly in the ointment would appear to be the fact that the Panagra people happen to live here and thus undoubtedly have more of a chance, directly or indirectly, at the local market than do their counter-parts in PAA. However, they must live somewhere, one supposes, and as far as I can see, the choice of Buenos Aires, by Panagra, was a very logical one for many obvious reasons. That the choice was not so happy from the PAA point of view is quite as easily understood for the reasons mentioned by Mr. Norris. However, when all is said and done, it seems to me that only two things can be done by PAA to remedy the situation, the first being to convince the Panagra powers that be to move the office, which is something which must be accomplished at the very highest levels, and secondly, to have some east coast sales people stationed here.

If the results of the operations of the two companies are compared, bearing in mind the peculiar characteristics of

the situation, such as differences in equipment, etc., I frankly do not see that there is much cause for alarm.

If there is anything you think I might do about this matter, please let me know.

Yours sincerely,

/s/ GEORGE P. SMITH,

cc: Mr. W. Morrison, VP, Mia.

[fol. 3945]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 280

PERSONAL

September 13, 1949

Mr. George P. Smith
General Manager
Cia. de Aviacion Pan American Argentina
Av. Roque Saenz Peña 788
Buenos Aires, Argentina

Dear Mr. Smith:

Your trip to Europe at this time caused some comment by Panagra in the nature of a complaint to Mr. Dean that the matter had not been previously cleared with the Panagra management.

Up here we had been under the impression that the matter had been cleared on the Toomey-Kirkland-Walker level and no further attention was paid to the subject. However, Mr. Campbell insists that the New York office of Panagra, or he personally if he is here, be consulted in advance with regard to absences of the General Manager of CAPAASA from Buenos Aires. He says that there are too many matters of basic importance to Panagra in the Argentine to permit any other procedure and he has asked that I bring to your attention clause 10 of the so-called three-cornered agreement. I am now afraid that you never received information regarding this agreement, which was

signed in July, 1948 and makes provision for services to be rendered to Panagra by the parent company and compensation therefore. Since these matters are of no particular interest to the officers in the field, no distribution of the contract has been made, but it happens that this contract does include a paragraph dealing with CAPAASA, which I now quote for your information:

"10. Pan American will cause its subsidiary Compania Pan American Argentina, S.A. to continue to render sales and other services jointly to Panagra and Pan American in Argentina, and the same method for determining joint basis of reimbursement of Compania Pan American Argentina, S.A. as is now in effect will continue and will be applied in light of conditions existing from time to time. Pan American shall regularly consult with Panagra regarding the joint activities of Compania de Aviacion Pan American Argentina, S.A. and with particular reference to sales policies, personnel, the annual budget, advertising programs and expenditures, subject to joint reimbursement."

[fol. 3046] In the light of the above you will understand Mr. Campbell's concern at not having been consulted regarding your proposed absence. Such incidents can be avoided easily in the future through proper coordination between yourself and this office and I will see to it that Panagra is kept duly informed.

Sincerely yours,

Erwin Ballinger

cc: VP Morrison—MLA

[fol. 3047]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 281

[Stamp—Received Jun 1—1950—Pan American Airways,
Inc.—Traffic Manager—Latin American Division](Letterhead of Compañia de Aviacion Pan American
Argentina, S. A., Buenos Aires, Argentina)

Buenos Aires, May 29th, 1950.

Mr. Porter Norris
Division Traffic Manager
Latin American Division
MIAMI.*Private & Confidential*

Dear Porter:

Before going into the details of the counter-Braniff advertising campaign as discussed by Mr. Foss in his memorandum of May 24, 1950, I would like to refer to the second paragraph on the second page of his memorandum, particularly his statement "every verbal conversation and every written communication that we have had with members of the Argentine office for quite some time has reflected a lack of hard-hitting sales policy for Pan American World Airways and something must be done immediately to reverse this trend".

These are extremely hard words and we consider Mr. Foss' statement *unwarranted, unfair* and one which we feel is very *difficult to substantiate* for the following reasons:

1. Our statistics show that in the year 1949 CAPAASA sold 1,085 tickets from Buenos Aires to New York via Pan American and 1,490 tickets to New York originating via Panagra. The fact that Pan American continues to obtain 45% of the traffic to New York has been a cause of much concern to Panagra and their various vice-presidents have had all of us "on the carpet" frequently for explanation as they feel that they should be getting at least 75% of the business to New York with their superior equipment, faster service, etc. Only last month Willis Lipscomb had Juan Homs in his office to explain what the CAPAASA Panagra-Pan American competitive sales

policy was as John Shannon had accused Homs of being partial to Pan American in his administration of CAPAASA's sales activities.

2. We can't deny that the Panagra Pan American statistics relative to sales made by this office to the rest of the United States look unfavorable to Pan American at first glance. The chief reason for this is that almost all the other destinations in the U.S. are best reached by north and west-bound connections out of [fol. 3048] Miami and Pan American has found it very difficult to compete with Panagra for this traffic. Your office has been receiving each month a map summary of comparative Pan American and Panagra sales made from Argentina to the USA and we attach the figures for 1949 showing total sales by destinations. During 1949 a total of 3,615 tickets were sold from Buenos Aires to the USA. As noted in No. 1 above, 2,575 of these tickets were for travel to the New York area, leaving only 1,040 tickets sold from Buenos Aires to "other" U.S. destinations. Panagra's percentage of these 1,040 tickets amounted to 81% chiefly because their service to Miami and the north and west-bound connections available permitted passengers, in almost all cases to arrive at their destination *almost a full day or night faster* than by connecting with Pan American's flight to either Miami or New York. As you well know our sales policy here has forced us to quote both Panagra and Pan American's connections to these U.S. destinations and permit the passenger take his choice of the services available without selling one service "against" the other. If Panagra sold 223 tickets to Miami in 1949 against 29 for Pan American it is almost entirely due to the fact that Panagra's passengers were able to leave Buenos Aires from one to four hours later than Pan American's passengers on the same morning and be taking a shower in the Columbus Hotel the following morning while Pan American's passengers are just landing at Port of Spain. This disparity of service applies in equal or greater measure to destinations such as Los

Angeles, Chicago, Houston, Detroit, etc. Even if the Panagra and Pan American sales offices were separated here it is doubtful if we would get many of these passengers away from Panagra until Pan American's service to these destinations is improved. It is not a question of Guest Houses, sleeperette seats, low-level flying or anything else except "how many hours will it take me". Our passengers down here are almost all experienced business travelers and Americans returning to the USA for vacation or reassignment. They are not flying to the States for the thrill of being in the air, they want to get from here to there in the shortest possible time. This is elementary - you know it, I know it and Mr. Foss should know it. We are not making excuses for anything because I am convinced that under the existing circumstances we are doing the best possible job in Argentina for Pan American Airways.

[fol. 3049] 3. Referring again to Mr. Foss' very grave statement, I would like to point out that there is no one from Mr. Foss' office, including himself, who really understands the true position of this Company insofar as the Panagra-Pan American competitive position is concerned. He shows this by his reference to "selling against Panagra". There is no one in CAPAASA, including myself, who can sell "against" Panagra. Our policy is to sell "with" Panagra and you yourself know that it has had to be this way. If you think this a stalemate position just remember that if Pan American has not been able to sell against Panagra neither has Panagra been able to sell against Pan American, which situation, in my opinion, has been all in Pan American's favor during the past several years.

4. Although Mr. Foss has not been able to visit us here in Argentina during the past several years we have had various members of his staff here, namely Mr. Stoddard, Mr. Merrill and Mr. Cooper. Also we have been visited by Mr. Morrison, Mr. Toomey and yourself. We do not recall receiving anything but favor-

able reports on our sales and traffic effort and activities from any of these gentlemen and if Mr. Foss "every verbal conversation and every written communication . . . for quite some time" have been so unfavorable, even overlooking his lack of understanding of the Panagra Pan American situation in Argentina, we feel that he should have let us know about this earlier.

In regard to the "counter-Brandiff" advertising campaign mix-up, we would like to make the following comments:

1. The entire idea of a "counter Brandiff" advertising campaign originated in this office. Our first letter to Miami on this matter was sent on March 31st. On April 14 Mr. Silveti sent Mr. Foss the layouts on this campaign which were the result of the coordinated thinking of everyone concerned with Pan American's sales and advertising activities in Buenos Aires. The first insertions of these ads were scheduled for May 25th and it was not until May 16th that we received any further instructions from Miami on this special advertising campaign. On this date we received some "layouts" from Miami for the counter Brandiff campaign. Mr. Silveti brought them to my office and we immediately called a meeting with Mr. Scarampa, Mr. Donnell, Mr. Silveti, Mr. Hems and myself in attendance. I am quite sure you have never seen these layouts (of 2050) ones and I attach them for your information. Frankly, all of us were astounded, even the agency directors, at the extremely poor quality of the layouts and the serious errors and omissions in the copy. To begin with, we have told Mr. Foss several times that "PAA" does not mean anything to the Argentine Spanish-speaking public. The expression which comes closest to competing with the easy-to-say "Panagra" is "Pan American" and to substitute this for "PAA" in the Miami layouts would, as you can see, necessitate some serious changes in the construction of the ad. It is quite obvious that the copy prepared by Miami was done hastily. No mention

whatsoever is made of the tourist service and the statement "only PAA offers one carrier service to the U.S.A." is *seriously incorrect on three points*. First—FAMA has a weekly DC-6 service to New York; Second—Panagra flies seven DC-6 flights and two DC-4 flights weekly—to the USA"; (As you know, in the eyes of the Argentine Aeronautical authorities Panagra is considered as having its northern terminal in Miami and if we had permitted this ad to be run as forwarded from Miami we would have been in serious difficulties with the DAC) Third—how can we say "only PAA offers . . . travel via the fascinating coastline route" as written by Grant in Miami and forwarded to us through Mr. Foss' office. If we are talking of coastlines in general I am certain Panagra covers more coastline than anybody and if we mean Atlantic coastline FAMA more or less duplicates our route.

2. Also on May 16th we received definite word from Miami about inauguration of "El Presidente" services an event which gladdened the hearts of all of us for a number of reasons:
3. In view of the situation in Nos. 1 and 2 above I asked Mr. Homs to call Miami and suggest, (1) that Pan American's counter-Braniff campaign be reduced to \$4,000.00 to permit us to spend more money making a big splash with the "El Presidente" promotion and that (2) certain changes in layout and copy be made in our advertising to give us a really finished product.
4. Following the phone conversation between Mr. Homs and Mr. Foss it was agreed by all here that Pan American's interests would best be served by adapt- [fol. 3051] ing the layouts prepared by Grant's—Buenos Aires rather than starting all over with the layouts sent from Miami. The first insertions in the counter-Braniff campaign were scheduled for May 25th, Argentina's day of Proclamation of Independence and we felt that the flag motif preserved our selling ideas and at the same time was much more

appropriate and artistic than the map of the USA. I think you will agree that the phrase "20 years of regular flights between Argentina and the USA" is much more significant and no less salesmanlike for counter-Braniff purposes "than fly PAA to the USA". In addition, we have corrected the direct sales copy sent from Miami and added mention of the *very important* LAD tourist services and Pan American World Airways System's world-wide routes and connections. We attach a copy of the ad as it appeared in the English papers and we only ask that you compare it with the layouts sent from Miami.

5. The radiogram 232055 sent from Miami over your signature arrived on May 24th after the material for the attached ad was delivered to the newspapers for printing and it was my decision to let it run instead of cancelling it as I was certain it was in Pan American's interest to do so.
6. The above matters were discussed with Mr. Martinez and we are awaiting your answer to his cable of May 26th. We feel certain you will agree that the combined efforts of the Pan American and Grant personnel in Argentina will result in an advertising program well suited to conform with the peculiarities of the Argentine market and the Argentine press restrictions. I do not believe that the attached ad that was run in the Argentine press on May 25th, can be classed as either "institutional trip" nor as "straddle the fence" ad. I believe that it *sells* Pan American in the best possible way and presents those points which will best permit us to sell the pants off of Braniff or any other competitor.
7. As General Manager of Pan American Argentina I feel that it is both my duty and authority to make whatever changes are considered necessary in advertising layouts and copies sent us from Miami to adapt this material to the Argentine market, especially when the material is as poorly conceived and executed as [fol. 3052] the Miami counter-Braniff campaign which

is attached. If I do not have this authority I suggest that in the future all layouts and copy be sent directly to Grant-Buenos Aires for direct submission to the local newspapers.

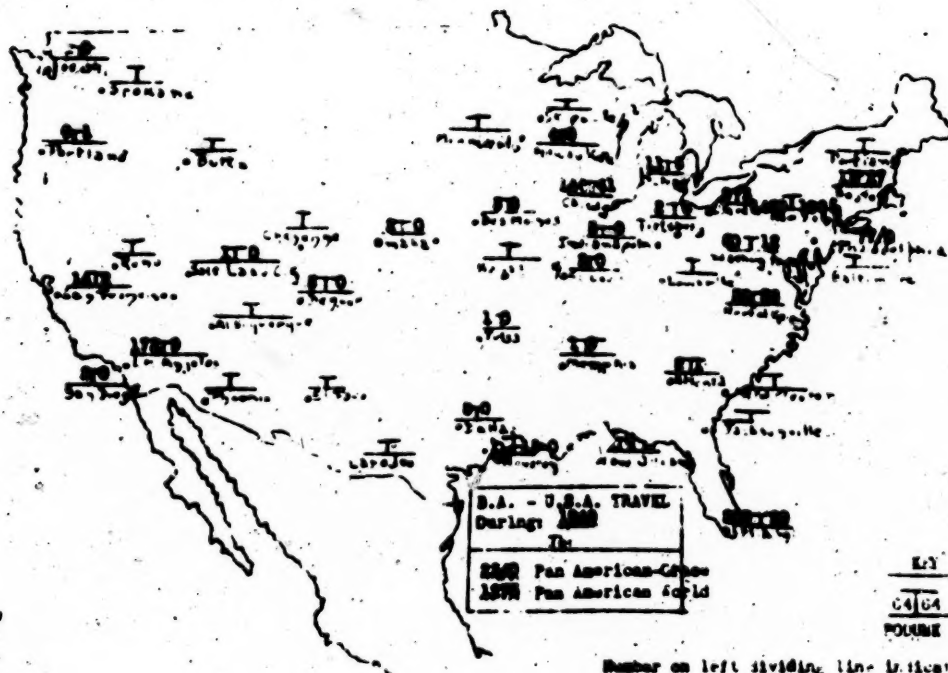
As a matter of fact, Porter, we feel that the procedure to be followed in the future on this special advertising will be for your office to lay down the fundamental requirements of each program to be adapted and incorporated by Grant and ourselves here into layouts and copy for the full program subject to final approval from Miami. We believe that this System will result in the greatest benefit and least friction for all concerned. We feel that we are best qualified to prepare advertising material for special campaigns such as that for "El Presidente" and others in Argentina. We feel that when you have read this letter you will agree.

Sincerely,

/s/ G. P. SMITH
G. P. Smith

encls.

EXHIBIT 261 (MA)



Number on left dividing line indicates TAA-Corpus
 Number on right dividing line indicates TAA-Corpus

[fol. 3054]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 282

August 21, 1950

Note to Mr. Toomey—

I realize an equitable solution to the Pan American-Panagra situation in Buenos Aires is a difficult one but it seems to me the results of the conference, as outlined in the attached, merely further increases the one-sidedness of the situation in favor of Panagra.

Under the arrangement outlined, Panagra will have access to all PAA passengers leaving Buenos Aires in advance including information covering those who have regularly travelled to the East Coast. Assuming that CAAPSA will continue its neutral policy of not favoring one line or the other, Panagra will have a distinct advantage under the arrangement proposed.

Possibly our inter-company relationship requires this substantial concession however I believe it should definitely be pointed out that the results of the deal will be entirely one-sided unless Mr. Smith has been instructed to sell Pan American to offset the sales effort which will now result from the Panagra action. In my opinion most of this arrangement merely formalizes a situation which already existed with the additional factor that there will be another sales representative in addition to the so-called "Advertising Staff" to solicit business for Panagra. In case the situation cannot be rectified, I would recommend that Pan American also put out on the street a salesman who will solicit business for Pan American only.

W. F. Reeves

Enc.

[Fol. 3055]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 283

PAA (Emblem) MEMORANDUM

FOR USE BY ADDRESSEE

[Stamp—Received—Date Illegible—PAA—Sales
Advertising, LAD, Miami]

SEND ORIGINAL BY COMAIL

TO	Division Sales Advt. FROM	Regional Traffic
	Manager	Manager
DEPT.		DEPT.
OR DIV.	Latin American	OR DIV.
		Latin American
LOCATION	Miami	LOCATION
		Rio de Janeiro

DATE June 11, 1950

SUBJECT: BUENOS AIRES ADVERTISING.

REFERENCE:

Dear Ernie:

Sorry that things are happening so fast around here that I haven't had time to write you and Porter concerning the subject squabble.

Referring particularly to your memo to me under date of June first which reached me yesterday, I must frankly say that the best means of *not* getting the hard-hitting support of the Buenos Aires Sales and Advertising representatives—and George Smith thrown in for good measure—is to continue expressing and implying that they are not pro-PAA or that they are pro-PANAGRA.

I say this after arriving in Buenos Aires a week ago and finding the sickest bunch of fellows you ever imagined after receiving Porter's radio 232025 to be followed by the knock-out punch contained in your memorandum of the 24th to Homs. By now you will have received the impact through

the letter that Smith was writing at the time I left. Therefore, I will omit reviewing it here.

From the sideline I view the jobs of everyone in Buenos Aires as perhaps the most thankless ones in the System for when they are not getting hell from us they are getting it from the other side of the family. Now that Texas Tom is in Argentina and that we will be operating EL PRESIDENTE services they will get a little rest from PAA but God help them at the hands of Panagra.

As explained in my cable of the 26th the master institutional ad. had already been run so that for continuity the indication was to follow through with the shirt-tail series they had worked out. Otherwise, in view of the impending Boeing program, it might perhaps be better to discard the remainder of the program entirely AND START ALL OVER AGAIN. I do not know what you fellows decided on this.

[fol. 5056] The whole mess, in part, seems attributable to the time element as will be found if the matter were analysed in retrospect. That is why I urged that Buenos Aires be allowed to send in their ideas for your consideration and possible inclusion in the Boeing program. Frankly Ernie I feel that the boys down there, right on the spot, must know what their requirements are and therefore should have the opportunity of voicing their opinion and I sincerely hope that you will review the matter in this light.

/s/ MARIO J. MARTINEZ

Mario J. Martinez

MJM/nm

cc: Division Traffic Manager, LAD, Miami

[fol. 3057]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 284

Buenos Aires
August 19, 1953

[Stamp—Received—Aug 24 1953—Pan American Airways,
Inc.—Vice President]

Mr. Douglas Campbell, Vice President
Pan American-Grace Airways, Inc.
NEW YORK

Dear Doug:

There seems to be a tendency among some of the Panagra people along the line and in New York to deal directly with the Panagra Sales Representative, Roger Rowe, when treating with routine traffic matters, completely by-passing CAPAASA and the indicated individuals in CAPAASA. A case in point which we might cite concerns an enquiry made by our cargo department to Lima concerning the possibility of handling a considerable quantity of fresh meat from Buenos Aires to La Pas. A copy of the enquiry was sent to Mr. Mason in New York. The answer, in the form of a cable was directed to Rowe, who, it so happens, had no previous knowledge of the matter as it was merely a business possibility which had been unearthed by our cargo solicitors and was being developed by that department in a strictly routine manner. There was no question of keeping Roger out of the picture, but at the then stage of the game, there was, likewise, no particular reason to bring him in any more than he would be brought in on any odd bit of routine business which comes to light in the normal course of events. In like manner, I think you will agree that any reply to our enquiry should have been directed to CAPAASA. Copy Rowe, by all means, if desired or considered necessary, but please give us, your agents, a chance to develop your business in a normal, proper, and, we hope, an unfettered way.

Similarly, the cargo people along the line are addressing radios, and possibly correspondence, about the handling of cargo shipments to Adolfo Cosentino rather than to our cargo department. The chances are very great that the very information Cosentino is receiving is information the Cargo people urgently require in their dealings with the consignees. There is no point whatsoever in bringing in Cosentino or any of the others at the airport as they are not and will not be in touch with the clients and would only confuse matters if they got in touch with them. Besides, of course, delays in handling must invariably occur if important information is routed all around the mulberry bush before finally reaching the party who needs it.

[fol. 3058] I would highly appreciate your finding some means to remind your people to follow a routine course in dealing with the Argentine traffic matters which it is the responsibility of CAPAASA, and as far as I know, CAPAASA only, to manage.

Sincerely yours,

George P. Smith
General Manager

GPS a

cc: Mr. J. T. Scholtz, Reg. Mgr., PAG, LIMA
Lima file, 1

BC: Mr. E. E. Balluder, VP, PAA, NY

Mr. W. L. Morrison, Exec. VP, PAA, LAD, MIA

[Vol. 3059]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 285

Buenos Aires

September 21, 1953

Mr. James T. Scholtz, Regional Manager
Pan American-Grace Airways
LIMA

Dear Jim:

Mr. Campbell quoted to me your recent letter to him which came as a result of my complaining—not too bitterly, I hope—of several cases when Panagra people along the line had communicated directly with airport personnel, bypassing CAPAASA on matters which were really the concern of the agency. I quite appreciate that these instances come under the heading of errors, and the only reason for my letter was simply to try to put an end to them before some serious damage occurred.

In connection with direct communications with Mr. Cosentino on split shipments, it may be true that Mr. Cosentino was one of the people treating with the authorities on this and similar "Facilitation" problems. However, his activities in this respect are those pertaining to his position as representative of all of the IATA carriers here, not as a Panagra man. I went to the greatest lengths to have him appointed to this job by JURCA, which as you know is our local IATA panel as I definitely did not want the job turned over to some Aerolineas man who would, I was sure, do nothing. Quite a fight developed at the corresponding JURCA meeting, but we finally prevailed. It should be remembered that Cosentino in this work, is dealing with an entity known as the "Inter-ministerial Committee", which is composed of designated officials from all of the interested Ministries, such as Customs, Public Health, Immigration, Police, and so forth, not with the Jefe of Customs at the airport, although, of course, Cosentino knows him well. The point is that the Cargo Department of CAPAASA,

3140

which is in touch with the committee—not Mr. Cosentino—must most definitely be let in. In fact, all communications of this nature should be sent to Cargo. Then if they need any special help from Mr. Cosentino, they can get in touch with him.

[fol. 3060] I repeat that Mr. Cosentino's special activities to which you refer are in representation of all IATA carriers on general problems and have nothing in particular to do with any individual shipment. I thought maybe you might like to know this. I gather from your letter to Mr. Campbell that you perhaps didn't have the whole story.

In any case, all we are after is that the work proceeds smoothly and that nobody who should be receiving routine information is left out of the picture.

Sincerely yours,

George P. Smith
General Manager

GPS)a

cc: Mr. Douglas Campbell, VP, PGR, NY
Lima File

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 287

Exhibit 2-10
Witness, R. C. Ferguson

PAN AMERICAN AIRWAYS, INC.
AND SUBSIDIARY, INC.

Description of the Equipment Used by Pan American Airways, Inc. on the Mail-Parcel Service
and the Equipment Used by Pan American - Ocean Airways, Inc. on Services Inland and out of the Canal Zone
For Years 1930-1942

PAN AMERICAN AIRWAYS, INC.					PAN AMERICAN-OCEAN AIRWAYS, INC.				
Year of Purchase	Date of Purchase	Type	No. of Engines	Passenger Seating Capacity as Operated	Year of Purchase	Date of Purchase	Type	No. of Engines	Passenger Seating Capacity as Operated
1930	1930-1930	Catamaran	2	20	1930	1930	Bimotory 2-100	2	0
1931	1930-1930	Catamaran	2	20	1931	1930-1931	2-100	2	0
1932	1930-1930	Catamaran	2	20	1932	1930-1931	2-100	2	0
	1930-1930	2-100	4	30					
1933	1930-1930	Catamaran	2	20	1933	1930-11-33	2-100	2	0
1934	1930-1930	2-100	4	30					
1935	1930-1930	Catamaran	2	20	1935	1930-11-33	2-100	2	0
	1930-1930	2-100	4	30					
1936	1930-1930	Catamaran	2	20	1936	1930-1933	2-100	2	0
	1930-1930	2-100	4	30		Chartered	Catamaran		0
1937	1930-1930	Catamaran	2	20		1930-1933	2-100	2	0
	1930-1930	2-100	4	30		2 at Honolulu	2-100	2	16
1938	1930-1930	Catamaran	2	20		1938	2-100	2	16
	1930-1930	2-100	4	30		Chartered	Catamaran		0
1939	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1940	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1941	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1942	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1943	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1944	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1945	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1946	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1947	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1948	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1949	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1950	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1951	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1952	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1953	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1954	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1955	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1956	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1957	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1958	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1959	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1960	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1961	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1962	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1963	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1964	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1965	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1966	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1967	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1968	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1969	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1970	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1971	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1972	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1973	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1974	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1975	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1976	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1977	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1978	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1979	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1980	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1981	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1982	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1983	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1984	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1985	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1986	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1987	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1988	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1989	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1990	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1991	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1992	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1993	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1994	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1995	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1996	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1997	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1998	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
1999	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2000	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2001	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2002	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2003	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2004	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2005	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2006	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2007	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2008	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2009	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2010	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2011	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2012	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2013	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2014	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2015	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2016	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2017	1930-1930	Catamaran	2	20					
	1930-1930	2-100	4	30					
2018	1930-1930	Catamaran	2	20					

EXHIBIT P-50
 Page 1

 PAN AMERICAN AIRWAYS, INC.
 CAS EXCISE NO. 779

 Comparison of the Equipment Used by Pan American Airways, Inc. on the Canal-Zone Service
 and the Equipment Used by Pan American - Grace Airways, Inc. on Services Into and out of the Canal Zone
 For Years 1935-1943

PAN AMERICAN AIRWAYS, INC.					PAN AMERICAN-GRACE AIRWAYS, INC.				
Year of Operation	Date of Purchase	Type	No. of Engines	Maximum Seating Capacity as Operated	Year of Operation	Date of Purchase	Type	No. of Engines	Maximum Seating Capacity as Operated
1935	1935	B-42	4	30	1935	1935	B-30	2	8
	1935-1937-1938	B-42B	4	30		1935	B-42	2	14
	1937	DC-3	2	21		Chartered	Condor	2	20
						1937	Douglas DC-3	2	21
1939	1939	B-42	4	30	1939	1937-1939	DC-3	2	21
	1939-1937-1938	B-42B	4	30					
	1937	DC-3	2	21					
1940	1939	B-42	4	30	1940	1937-1939	DC-3	2	21
	1939-1937-1938	B-42B	4	30		1940	DC-3	2	21
	1940	DC-3	2	21					
	1940	Boeing B-307	4	33					
1941	1940	B-307	4	33	1941	1940-1941	DC-3	2	21
						Chartered	DC-3	2	21
1942	1940	B-307	4	33	1942	1940-1941	DC-3	2	21
						1942	DC-3	2	21

signed for AIR Express and Corp. - Hudson/Line

[fol. 3064]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 288

Exhibit No. 7-4 and 7
Witness: R. C. FergusonPAN AMERICAN AIRWAYS, INC.FOR PERIOD 1935Public Bureau to Bureau of Census, 1935, 1936 and 1937 as per Preliminary Conference
Special Period Dec. 29, 1935 - 1937 - 1938 - 1939 - 1940 - 1941 - 1942
Period 1935 - 1942

ENTRANCES FROM TO PANAMA & PER	TOTAL	BRASIL	GUAYAMA	LAKEVIEW	CHATELAIN	CHATELAIN	SAINT	SAN SALVADOR	SAN JOSE	SALINA	RENTA	MEXICO CITY	NEW ORLEANS
1935	10	10											
1936	20	20	3										
1937	60	60											
1938	70	70											
1939	70	70											
1940	90	90											
1941	273	273	14	1			13			1	3	20	20
1942	273	273	-	1	4		9	1	1	15	6	15	20
Totals	1477	1477	14	2	4		13	9	1	16	9	20	20

ENTRANCES FROM TO PANAMA & PER	TOTAL	BRASIL	GUAYAMA	LAKEVIEW	CHATELAIN	CHATELAIN	SAINT	SAN SALVADOR	SAN JOSE	SALINA	RENTA	MEXICO CITY	NEW ORLEANS
1935	10	10											
1936	20	20											
1937	60	60											
1938	70	70											
1939	70	70											
1940	90	90											
1941	273	273	14	1			13			1	3	20	20
1942	273	273	0	1	4		9	1	1	15	6	15	20
Totals	1079	1079	20	2	4		9	1	1	9	14	20	12

Note: Statistics for years prior to 1935 not available since operations through Brazil conducted by Panair do Brasil. Prior to July 1, 1941 (except for the months 1940) passenger traffic statistics reflected in this exhibit were compiled on the basis of flight coupons used to stop-over points or division points. Since July 1, 1941, passenger traffic statistics reflected in this exhibit have been compiled to show origin and destination on Pan American Airways, Inc. records of stop-overs.

[Ed. 3065]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 289

Exhibit No. P-37

EXECUTIVE COMMITTEE

December 19, 1939.

"The meeting thereupon considered the question of whether a general reserve for contingencies should be set up. The officers were requested to discuss this question with the Company's counsel and accountants and with officers of Pan American-Grace Airways, Inc. and to report back to the Executive Committee at its next meeting."

EXECUTIVE COMMITTEE

February 6, 1940.

"The meeting, after consideration, adopted a recommendation to the Board of Directors that a year-end bonus of not in excess of \$50,000 be distributed among employees selected by the management, excluding the President, participants under the Management Stock Purchase Plan, and employees of China National Aviation Corporation, SCADTA and Pan American-Grace Airways, Inc."

EXECUTIVE COMMITTEE

December 30, 1940.

"Mr. C. V. Whitney referred to a proposal which had been offered by Mr. Harold J. Roig, of W. R. Grace & Co., relating to the filing of an application for a certificate of convenience and necessity between New Orleans and the Canal Zone. Upon the invitation of the Committee, Mr. Roig entered the meeting, and outlined a proposal that this Company acquiesce in the filing by Pan American-Grace Airways with the Civil Aeronautics Board of an application for a certificate of convenience and necessity on the aforementioned route, or the filing of such an application by a new company to be organized, two-thirds of the capital stock of which would be owned by Pan American-Grace

Airways, Inc. and one-third by Eastern Airlines, Inc. Mr. Roig was informed that his proposal would be given consideration, and that he would be advised of the Company's action with respect thereto at a later date. Thereupon, Mr. Roig withdrew from the meeting."

EXECUTIVE COMMITTEE

January 6, 1941.

"A discussion thereupon ensued regarding the proposal made by Mr. Harold J. Roig, of W. R. Grace & Co., relating to the filing by Pan American-Grace Airways, Inc. of an application to the Civil Aeronautics Board for a certificate [fol. 3066] of convenience and necessity between New Orleans and the Canal Zone, or possibly the filing of such an application by a new company to be organized which would be jointly owned, one-third by Eastern Airlines and two-thirds by Pan American-Grace Airways, Inc. The Committee was of the opinion that this Corporation should not approve the organization of such new company, and that in no event should the pending application of Pan American Airways, Inc. for a certificate of convenience and necessity on this route be withdrawn. No final action was taken on the question of whether this Corporation should acquiesce in the filing of such an application by Pan American-Grace Airways, Inc., inasmuch as the Committee desired to consult counsel for the Company and to give the matter further consideration."

BOARD OF DIRECTORS

January 7, 1941.

"A discussion thereupon ensued regarding a proposal to have Pan American-Grace Airways, Inc. or another company in which it would be interested, apply for authority to operate between New Orleans and the Canal Zone. It was the sense of the meeting that such proposed action should be opposed."

EXECUTIVE COMMITTEE

January 14, 1941.

"The meeting proceeded to consideration of a proposal made by Mr. Harold J. Roig, of W. R. Grace & Company, that the Corporation should acquiesce in the filing by Pan American Grace Airways, Inc. of an application for a certificate of convenience and necessity between the Canal Zone and New Orleans, Louisiana, and of a notice of a meeting of the Board of Directors of Pan American Grace Airways, Inc. which had been called for the afternoon of January 14, 1941, to consider the same matter. Mr. Henry J. Friendly, of Root, Clark, Buckner & Ballantine, counsel for the Corporation, was invited to enter the meeting at this point. Mr. Friendly presented a legal opinion rendered by his firm and participated in the discussion. After full consideration, it was, upon motion duly made and seconded, unanimously

RESOLVED, that the Corporation, as owner of half of the stock of Pan American Grace Airways, Inc., should decline to acquiesce in the filing by Pan American Grace Airways, Inc. of an application for a certificate of convenience and necessity between the Canal Zone and New Orleans, Louisiana, and that the representatives of the Corporation upon the Board of Directors of Pan American Grace Airways, Inc. should [fol. 3067] not attend the meeting of such Board of Directors called for the afternoon of January 14, 1941, to act upon such proposal, or any adjournment thereof, and, except upon further instructions from the Executive Committee or the Board of Directors, should not attend any other meeting of the Board of Directors of Pan American Grace Airways, Inc. at which action is to be taken upon the subject matter above described.

It was further determined that the proper officers of the Corporation should promptly communicate with Mr. Roig, and discuss the matter with him so that the position of the Corporation might be fully understood. A form of letter to be addressed to Mr. Roig, in the event that, after

such conversations, he was nevertheless determined to proceed with the meeting of the Board of Directors of Pan American-Grace Airways, Inc., was approved."

EXECUTIVE COMMITTEE

January 28, 1941

"Mr. Trippe reported to the meeting on a conference which had been held with Messrs. Garni and Roig relative to the filing of an application by Pan American-Grace Airways, Inc. for a certificate of convenience and necessity on a route between the Canal Zone and New Orleans, via Guatemala."

EXECUTIVE COMMITTEE

June 24, 1941.

"Mr. Trippe read to the meeting a copy of a letter dated June 19, 1941 written by Mr. Geo. L. Rihl, a Vice-President of the Corporation, to Mr. Harold J. Roig, relating to a special meeting of the Board of Directors of Pan American-Grace Airways, Inc. which had been called for June 18, 1941, and which had been adjourned to June 20, 1941, for the purpose of considering a proposal that Pan American-Grace Airways, Inc. extend its route from Cristobal and/or Balboa to New Orleans and an application to the Civil Aeronautics Board for the necessary certificate of convenience and necessity. Such letter was approved, as being in line with the previous position of the Company, and ordered filed with the Secretary's records."

BOARD OF DIRECTORS

July 1, 1941.

"Mr. Trippe reported to the meeting on developments to date in connection with a proposal submitted by W. R. Grace & Co. relating to an extension of the operations of Pan American-Grace Airways, Inc. from the Canal Zone [fol. 3068] to New Orleans, and the filing of an application with the Civil Aeronautics Board for a certificate of convenience and necessity on such route. He referred to the

special meeting of the Board of Directors of Pan American Grace Airways, Inc. which had been called for June 18, 1941 to act upon such proposal, and the subsequent adjournments of such meeting. Mr. Trippe pointed out that in January, 1941 a meeting of the Board of Directors of Pan American Grace Airways, Inc. had been called to act upon the same proposal, and recalled that the Board of Directors of Pan American Airways Corporation, as also its Executive Committee, had determined that the Company should decline to acquiesce in such proposal, and that the Executive Committee had issued instructions to the representatives of Pan American Airways Corporation on the Board of Directors of Pan American Grace Airways, Inc. not to attend any meetings of the Board of Directors of Pan American Grace Airways, Inc. at which such proposal was to be acted upon. He also stated that, at the request of Pan American Airways Corporation, a special meeting of the stockholders of Pan American Grace Airways, Inc. had been called to be held on July 2, 1941, at which it was intended that a statement would be submitted on behalf of Pan American Airways Corporation setting forth its position with respect to such proposal, and that it was expected that the representatives of W. R. Grace & Co. at such stockholders' meeting would submit a statement on behalf of that Company respecting such proposal.

At the conclusion of the discussion which ensued, the Board reaffirmed the position which had been previously taken by the Board and the Executive Committee that it would not be in the interest of Pan American Airways Corporation or of Pan American Grace Airways, Inc., or in the public interest for Pan American Airways Corporation to acquiesce in the proposal.

Upon motion, duly made and seconded, the following resolution was adopted:

RESOLVED, that the President, or any Vice-President, of this Corporation be, and each of them hereby is, authorized and empowered, in the name and on behalf of this Corporation and under its corporate seal or otherwise, to execute and deliver a proxy in

favor of Geo. L. Rihl, John C. Cooper or J. Clawson Roop, Vice-Presidents of this Corporation, whereby the said Geo. L. Rihl, John C. Cooper or J. Clawson Roop will be authorized to attend a special meeting of the stockholders of Pan American-Grace Airways, Inc. to be held on July 2, 1941, or at any meeting of such stockholders adjourned therefrom, and to vote the shares of stock held by this Corporation in said Pan American-Grace Airways, Inc. at such special meeting to be held on July 2, 1941, and at any meeting adjourned therefrom, and that the Secretary, or any Assistant Secretary, of this Corporation be and each of them hereby is authorized and empowered to affix the seal of this Corporation to such proxy so executed and to attest such seal so affixed."

[fol. 3069]

EXECUTIVE COMMITTEE

July 21, 1941.

"Mr. Trippe submitted to the meeting a copy of a letter dated July 18, 1941 to Mr. C. V. Whitney, from Mr. D. Stewart Iglehart, of W. R. Grace & Co., together with the copy of a proposed letter from W. R. Grace & Co. to the Civil Aeronautics Board, enclosed with the above-mentioned letter from Mr. Iglehart, relating to the proposed filing with the Civil Aeronautics Board of an application by Gulf & Caribbean Airways, Inc., a wholly owned subsidiary of W. R. Grace & Co., for a certificate of convenience and necessity on a route between New Orleans and the Canal Zone. Also attached to the letter from Mr. Iglehart of July 18, 1941 was a copy of certain minutes of the Board of Directors and stockholders of Pan American-Grace Airways, Inc. At the conclusion of the discussion which ensued, Mr. Whitney was requested to telephone Mr. Iglehart and propose that before the above-mentioned letter is filed with the Civil Aeronautics Board, Mr. Iglehart, or he and his partners and associates, meet with the Executive Committee for the purpose of discussing the matter, or in the event Mr. Iglehart were not agreeable to such proposal, for Mr. Iglehart to meet with Mr. Whitney as provided in paragraph 4 of the letter agreement of February 14, 1939

between W. R. Grace & Co. and Pan American Airways Corporation relating to arbitration under such agreement. Mr. Whitney telephoned Mr. Iglehart while the meeting was in session, and submitted the above-mentioned two proposals to him. He reported back to the meeting that Mr. Iglehart had stated that he did not wish personally to attend a meeting of the Executive Committee, and suggested that Mr. Roig and Mr. Garmé come up and meet with the Executive Committee, should they agree to do so after discussing the matter with Mr. Iglehart. The Committee did not feel that anything would be accomplished by a meeting with Messrs. Roig and Garmé, and that under paragraph 4 of the above-mentioned agreement it was necessary that Mr. Iglehart be present. Mr. Whitney thereupon telephoned Mr. Iglehart again informing him of the decision of the Committee, and at the conclusion of the conversation stated to the Committee that Mr. Iglehart repeated that he could not personally attend any such meeting. During the last telephone conversation Mr. Whitney reiterated that Mr. Iglehart and anyone else he selected meet with us, and offered to meet with Mr. Iglehart in connection with arbitration as provided for in paragraph 4 of the above-mentioned letter agreement of February 14, 1939. At the conclusion of the telephone conversation, Mr. Whitney [fol. 3070] stated that Mr. Iglehart had promised to call him back during the day with respect to such meeting."

EXECUTIVE COMMITTEE

July 22, 1941.

"Mr. Trippe reported to the meeting on the conference which had been held today between Messrs. Roig and Garmé, representing W. R. Grace & Co., and Mr. Evan E. Young and himself, relating to the proposal that Pan American Grace Airways, Inc. apply to the Civil Aeronautics Board for a certificate on a route between New Orleans and the Canal Zone, or that, in the alternative, an application be filed with the Board by W. R. Grace & Co., through Gulf & Caribbean Airways, Inc., a wholly owned subsidiary of W. R. Grace & Co., for such certificate. At the conclusion of the discussion which ensued, the officers

were authorized to forward to W. R. Grace & Co. immediately a written communication confirming the telephone request which Mr. Whitney made to Mr. Iglehart yesterday that an arbitration be held under the conditions of paragraph 4 of the letter agreement of February 14, 1939 between W. R. Grace & Co. and the Corporation with respect to the matters involved under such agreement."

EXECUTIVE COMMITTEE

July 29, 1941.

"Mr. Trippe submitted to the meeting a copy of a letter which had been written under date of July 22, 1941 by the Company, signed by its Secretary, addressed to W. R. Grace & Company, referring to the proposal of the latter Company to extend operations to the Canal Zone, and confirming the request which Mr. C. V. Whitney had made on July 21, 1941 to Mr. Iglehart that, in line with the agreement of February 14, 1939, between W. R. Grace & Company and this Corporation, arbitration be held at once with respect to the matters involved. Upon motion, duly made, seconded and carried, such letter was ratified.

Mr. Trippe reported to the meeting that on July 24, 1941 Mr. Iglehart had met with Mr. C. V. Whitney at 230 Park Avenue, New York City, and that it had been decided to defer the filing with the Civil Aeronautics Board of the application of Gulf & Caribbean Airways, Inc. for a certificate of convenience and necessity on the proposed route between New Orleans and the Canal Zone, and the proposed letter to the Board from W. R. Grace & Company accompanying such application. Mr. Trippe also stated that a meeting had been held later between Mr. Roig and Mr. Whitney at 230 Park Avenue, New York City.

[fol. 3071] Mr. Trippe read to the meeting a memorandum addressed to him by Mr. Whitacy, dated July 25th, setting forth a further proposal on the part of W. R. Grace & Company relating to operations on this route, and reported upon the conference which he had had with Mr.

Reig on July 28, 1941 regarding such proposal. A lengthy discussion thereupon ensued, at the conclusion of which the meeting expressed the opinion that such proposal should not be accepted.

Mr. Trippe then outlined to the meeting a proposed arrangement between Pan American Airways, Inc. and Pan American Grace Airways, Inc. suggested by representatives of W. R. Grace & Co. relating to the interchange of equipment. After consideration, the officers were authorized to discuss the arrangement further with such representatives."

EXECUTIVE COMMITTEE

October 14, 1941.

"Mr. Trippe reported upon a suggestion made by the management of Pan American Grace Airways, Inc. that the capital of that Corporation be increased by a transfer thereto of a portion of its earned surplus. The meeting requested that a detailed proposal be submitted to the Executive Committee at a latter meeting."

EXECUTIVE COMMITTEE

October 28, 1941.

"The meeting considered, and discussed, a recent exchange of correspondence with W. R. Grace & Co."

BOARD OF DIRECTORS

April 28, 1942.

"The meeting took under consideration, and discussed, the proposed filing by W. R. Grace & Co. of a petition with the Civil Aeronautics Board requesting that Pan American Airways Corporation be required to divest itself of the ownership of certain shares of the capital stock of Pan American Grace Airways, Inc. Mr. S. Sloan Colt reported to the meeting on a telephone conversation which he had had with Mr. Harold J. Reig, of W. R. Grace & Co., in connection with this matter."

[fol. 3072]

BOARD OF DIRECTORS

May 5, 1942.

"The Chairman reported to the meeting on the status of the petition which had been filed by W. R. Grace & Co. with the Civil Aeronautics Board requesting that Pan American Airways Corporation be required to divest itself of its ownership of certain shares of the capital stock of Pan American-Grace Airways, Inc."

EXECUTIVE COMMITTEE

May 14, 1942.

"The meeting took under consideration the petition which had been filed by W. R. Grace & Co. with the Civil Aeronautics Board requesting that this Corporation be required to divest itself of ownership of certain shares of stock of Pan American-Grace Airways, Inc. The representatives of this Corporation on the Board of Directors of Pan American-Grace Airways, Inc. were authorized to approve the full co-operation by that Company, in carrying out such undertakings in furtherance of the war effort as may be requested by the War Department."

EXECUTIVE COMMITTEE

May 26, 1942.

"The meeting took under consideration a revised draft (draft of May 25, 1942) of a proposed reply, to be filed with the Civil Aeronautics Board, to the petition heretofore filed with the Board by W. R. Grace & Co. requesting that Pan American Airways Corporation be required to divest itself of the ownership of certain shares of capital stock of Pan American-Grace Airways, Inc. The meeting approved such proposed reply with certain suggested changes, and authorized the officers to discuss with Government officials concerned the question whether the reply should be filed, the officer to abide by the decision of such officials."

EXECUTIVE COMMITTEE

June 2, 1942.

"The meeting discussed the desirability of submitting to the Civil Aeronautics Board the Corporation's reply to the petition filed with the Board by W. R. Grace & Co. requesting that the Corporation be required to divest itself of the ownership of certain shares of the capital stock of Pan American-Grace Airways, Inc.

[fol. 3073] The meeting considered a letter from Mr. Iglehart of W. R. Grace & Co. referring to the annual report of the Corporation and its subsidiaries for the year 1941."

BOARD OF DIRECTORS

June 2, 1942.

"The meeting discussed the desirability of submitting to the Civil Aeronautics Board a reply by the Corporation to the petition heretofore filed with the Board by W. R. Grace & Company."

EXECUTIVE COMMITTEE

June 16, 1942.

"Mr. Trippe reported to the meeting on the status of the petition filed by W. R. Grace & Co. with the Civil Aeronautics Board that the Company be required to divest itself of the ownership of certain shares of stock of Pan American-Grace Airways, Inc. The meeting further discussed a form of reply to such petition."

EXECUTIVE COMMITTEE

June 29, 1942.

"The meeting took under consideration a communication from the Civil Aeronautics Board relating to the petition filed by W. R. Grace & Co. with the Civil Aeronautics Board that this Corporation be required to divest itself of the ownership of certain shares of the capital stock of Pan

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American-Grace Airways, Inc. Action with respect to such communication was deferred."

EXECUTIVE COMMITTEE

July 7, 1942.

"Mr. Trippe reported to the meeting on the status of the petition filed by W. R. Grace & Co. with the Civil Aeronautics Board requesting that the Corporation be required to divest itself of ownership of shares of stock of Pan American-Grace Airways, Inc."

[fol. 3074] EXECUTIVE COMMITTEE

July 15, 1942.

"The meeting considered the show cause order issued by the Civil Aeronautics Board to Pan American-Grace Airways, Inc. in connection with proceeding for the fixing of rates for the transportation of mail by that Company."

EXECUTIVE COMMITTEE

August 11, 1942.

"Mr. Trippe reported to the meeting on the decision of the Civil Aeronautics Board relating to the Pan American-Grace Airways, Inc. rate case."

EXECUTIVE COMMITTEE

September 22, 1942.

"Mr. Trippe reported on meetings held on August 25, 1942 and September 21, 1942 of the Board of Directors of Pan American-Grace Airways, Inc. He stated that at the latter mentioned meeting the question had come up relating to the designation of counsel to represent Pan American-Grace Airways, Inc., which had been made a party in proceedings before the Civil Aeronautics Board under Docket No. 779, and also the question of the filing of an application by Pan American-Grace Airways, Inc. in proceedings before the Civil Aeronautics Board under Docket No. 778 relating to temporary Caribbean service. It was

the sense of the meeting that with respect to the proceedings under Docket No. 779 there was no reason for Pan American Airways Corporation to vary from the position previously taken, and as to the proceedings under Docket No. 778 Pan American-Grace Airways, Inc. was in no position to undertake temporary service by reason of the necessity for preparing to meet its commitments under the arrangement with the Air Transport Command of the Army Air Forces covered by exchange of letters between that Company and the Air Transport Command dated July 21, 1942 and July 22, 1942, and by reason of necessity for increasing service on Pan-Grace's own route."

[fol. 3075] EXECUTIVE COMMITTEE

September 29, 1942.

"Mr. Tripp reported to the meeting on the action taken at recent meetings of the Board of Directors of Pan American-Grace Airways, Inc. in connection with proceedings before the Civil Aeronautics Board under Docket Nos. 778 and 779."

EXECUTIVE COMMITTEE

October 13, 1942.

"The meeting took under consideration the position to be taken by the Company in connection with the petition filed by W. R. Grace & Co. with the Civil Aeronautics Board requesting that the Company be required to divest itself of the ownership of certain shares of stock of Pan American-Grace Airways, Inc. At the conclusion of the discussion which ensued, the Committee expressed the opinion that Pan American Airways Corporation should take the initiative in these proceedings and file a petition with the Civil Aeronautics Board requesting that W. R. Grace & Co. be required to divest itself of the ownership of stock of Pan American-Grace Airways, Inc., rather than limit the Company's action to the filing of a reply to the petition of W. R. Grace & Co."

BOARD OF DIRECTORS

December 1, 1942.

"Mr. Trippe reported to the meeting on the letter written under date of November 11, 1942 to the representatives of W. R. Grace & Co. on the Board of Directors of Pan American-Grace Airways, Inc."

EXECUTIVE COMMITTEE

December 8, 1942.

"The meeting discussed the financial position of Pan American-Grace Airways, Inc., including the declaration of a dividend by that Corporation which was to be considered by its Board of Directors."

[fol. 3076]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 290

Exhibit No. P-37

EXECUTIVE COMMITTEE

April 21, 1937.

"The meeting ratified an agreement between W. R. Grace & Co., Pan American-Grace Airways, Inc. and this Corporation, relating to intercompany transfer of position on Buenos Aires-Salta route."

EXECUTIVE COMMITTEE

November 16, 1937.

"The meeting thereupon considered and authorized new operating schedules of the Eastern and Western Divisions of this Corporation and of Pan American-Grace Airways, Inc. to become effective December 1, 1937."

BOARD OF DIRECTORS

June 28, 1938.

"Mr. Trippe reported to the meeting on the following:

- (c) Loss of Douglas transport by Pan American-Grace Airways, June 20, 1938."

EXECUTIVE COMMITTEE

July 7, 1938.

"Mr. Trippe reported to the meeting on the following:

- (b) Negotiations with United States Post Office Department relating to authorization of second weekly direct service between Miami and Cristobal to further improve connecting service between the United States and Cristobal destined to points served by Pan American-Grace Airways, Inc."

EXECUTIVE COMMITTEE

August 23, 1938.

"The meeting thereupon considered a proposal submitted by the President of W. R. Grace & Company."

[fol. 3077] EXECUTIVE COMMITTEE

September 8, 1938.

"The meeting thereupon considered a conference which had been held with officials of W. R. Grace & Co."

EXECUTIVE COMMITTEE

September 20, 1938.

"The meeting considered the following:

- (c) Series of conferences with W. R. Grace & Co., including their proposal relating to extension of Pan American-Grace Airways, Inc. beyond its territory to New Orleans, the request that the management of Pan American-Grace Airways, Inc. be transferred to W. R. Grace & Co. and the offer of that Company to supply additional capital for the suggested extension thereby assuming voting control of the Company."

EXECUTIVE COMMITTEE

October 4, 1938.

"Mr. Trippe reported to the meeting on the following:

- (c) Further conferences with officials of W. R. Grace & Co."

BOARD OF DIRECTORS

December 28, 1938.

"Mr. Trippe reported to the meeting on the status of negotiations with W. R. Grace & Co. It was the sense of the meeting that it would not be in the interest of our stockholders for our directors to authorize an application by Pan American-Grace Airways, Inc. to extend north of Cristobal in competition with Pan American Airways, Inc."

EXECUTIVE COMMITTEE

January 17, 1939.

"The meeting thereupon considered a memorandum prepared by Messrs. Iglehart and Whitney. A discussion [fol. 3078] ensued of the differences of opinion between the parties as to whether the proposed arbitration clause covers paragraph II. The meeting disapproved the proposed arrangement and granted authority to negotiate a standard of connecting service required of this Company under paragraph II., with definite provisions for arbitration."

EXECUTIVE COMMITTEE

January 23, 1939.

"The meeting considered a supplemental memorandum drawn by Messrs. Iglehart and Whitney. No action was taken thereon, and the matter was referred by the meeting to the Board of Directors for consideration."

EXECUTIVE COMMITTEE

February 7, 1939.

"The meeting authorized the President to execute a proposed arrangement with W. R. Grace & Co. in the form submitted to the meeting."

EXECUTIVE COMMITTEE

September 12, 1939.

"Mr. Trippe stated that two DC-3 airplanes had been ordered for Pan American-Grace Airways, Inc."

EXECUTIVE COMMITTEE

October 31, 1939.

"Mr. Trippe thereupon outlined to the meeting the terms of the Company's option from Pan American-Grace Airways, Inc. to purchase an S43 airplane. After consideration thereof, authority was granted to the officers to exercise such option upon receipt from Pan American-Grace Airways, Inc. of the notice required under the provisions of such option to be given to Pan American Airways, Inc., at the then option price."

[fol. 3079]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 291

Exhibit No. Con. 19

CAB Docket No. 3500

STATEMENT LISTING DATES AND SUBJECT
MATTER OF NEGOTIATIONS PERTAINING TO
THE AGREEMENTS BETWEEN NATIONAL,
PAN AMERICAN, PANAGRA, AND GRACE

(The following is based on the best recollection of the parties concerned and upon such records as are available).

In the summer of 1948 the purchase by Pan American of a substantial amount of National's stock and a possible interchange between National and Pan American were dis-

cussed briefly by Mr. Baker and Mr. Trippe in New York. There were no further meetings resulting directly from this conversation.

December 15, 1948 Letter from Baker to Roig proposing interchange. Similar letter sent to all carriers with which National connects.

January 6, 1949 Letter from Roig to Baker indicating willingness to discuss matter, without prejudice. Letter presented to meeting of Panagra Board of Directors.

January 14, 1949 Letter from Baker to Roig suggesting further discussions.

January 17, 18, 1949 Baker and Scott met in New York with Trippe, Dean and Friendly to discuss prospect of Pan American interchange. Mr. Thomas (NAL director) and Mr. Fell of Lehman Brothers were also present.

January 21, 1949 Luncheon of Roig and Baker in Washington, at which Baker advised he had been talking with Trippe concerning interchange and sale of National stock.

January 21, 1949 Luncheon of Trippe and J. P. Grace, Jr. in New York, at which Trippe advised he had been discussing with National the acquisition of a stock interest in National and interchange.

January 24, 1949 Letter from Scott to Trippe enclosing memorandum outlining proposed arrangement for sale of stock, interchange, etc.

- January 26, 1949 Meeting of Dean, Friendly, Roig and Shea, at which Dean said Panagra's interests in connection with the operation of a through service would be protected in any arrangement made by Pan American with National.
- January 27, 1949 Meeting of Baker, Scott, Roig, Grace and Shea at which Baker indicated he felt Panagra should have some stock interest in National.
- January 27, 1949 Meeting of Baker, Scott, Trippe, Dean and Friendly at which division between Pan American and Panagra of stock interest in National was discussed.
- [fol. 3080]
- January 27, 1949 Meeting of Trippe, Dean, Friendly, Grace and Roig. Pan American took position that Panagra stock interest in National should be over and above that which had been offered by National to Pan American.
- January 27, 1949 Further short meeting between Trippe, Dean, Scott and Baker at Baker's hotel.
- January 28, 1949 Meeting of Trippe, Dean, Friendly, Baker and Scott—breakoff of negotiations.
- January 28, 1949 Meeting of Grace, Shea, Baker and Scott.
- Week of February 14 Several meetings of Baker, Scott, Roig, Grace, and Shea in New York—Discussion of matters, leading up to letter of February 28.

- February 26, 27, and 28 Meeting in Miami of Baker, Scott, Roig, Grace and Shea—Negotiations culminating in offer of February 28.
- March 2 Meeting of Grace and Trippe, advising him of purchase of National stock by Grace.
- Week of March 21 Meeting of Dean, Friendly, Roig and Shea—Discussion of February 28 proposal, Dean indicating Pan American's interest in securing additional stock interest.
- Week of March 21 Telephone conversation Grace and Baker, passing on information re talk with Pan American.
- March 25 Meetings of Grace, Shea, Baker and Scott in Miami to discuss three-party agreement. Telephone conversations Roig and Dean and Friendly concerning Miami discussions.
- March 29 Meeting of Grace and Trippe prior to scheduled meeting of Directors of Panagra in New York. Decision not to hold Directors' meeting and to carry on negotiations in Washington with National.
- March 29, 30, 1949 Negotiations in Washington culminating in March 30th Memorandum of Understanding—Attended by: Trippe, Friendly, Dean, Grace, Shea, Roig, Gesell, Baker, and Cross.

Throughout April and up through May 11, 1949, there were frequent meetings between various representatives of Na-

tional, Pan American, Panagra, and Grace, for the purpose of working out details of the various agreements which culminated in the signing of the formal agreements on May 11, 1949.

[fol. 5081]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 292

Exhibit No. P-21

Witness: R. G. Ferguson

PAN AMERICAN AIRWAYS, INC.

CAB DOCKET #779

*Pan American Exhibit as per Appendix 3, Item 3 of
Prehearing Conference Report Served December 31, 1942*

Route Miles

Latin American Operations

December 31, 1928

Routes

Miami-Havana

*Route
Miles*

251

December 31, 1930

Miami-Havana

251.0

Miami-Nassau

193.5

Miami-San Juan

1,253.0

San Juan-Paramaribo

1,378.0

Paramaribo-Santos

3,619.5

Miami-Cristobal (direct via Cienfuegos)

1,385.0

Miami-Cristobal (via Central America)

1,890.5

Cristobal-La Guaira

1,100.0

Brownsville-Mexico

501.0

Tampico-Guatemala

858.0

Guatemala-San Lorenzo

147.0

Havana-Camaguey

320.0

Total Route Miles

12,896.5

Revised 5/27/43

3166

December 31, 1932

Routes

Route
Miles

Miami-Havana	229.0
Miami-Nassau	188.0
Miami-San Juan	1,180.5
San Juan-Port of Spain	752.0
Port of Spain-Paramaribo	626.0
Paramaribo-Para	820.5
Para-Santos	2,799.0
Santos-Montevideo	1,089.0
Havana-Cristobal (via Central America)	1,788.0
Miami-Cristobal (via Barranquilla)	1,667.5
Kingston-Port au Prince	455.0
Barranquilla-Port of Spain	1,021.0
Brownsville-Mexico	472.0
Mexico-Salvador	951.0

Total Route Miles

14,038.5

December 31, 1935

Miami-Havana	229.0
Miami-Nassau	188.0
Miami-San Juan	1,121.5
San Juan-Para	2,109.5
Para-Buenos Aires	3,881.3
Miami-Barranquilla-Cristobal	1,640.2
Havana-Merida-Belize	772.5
Kingston-San Pedro de Macoris	659.0
Barranquilla-Port of Spain	987.4
Brownsville-Salvador	1,277.5
Salvador-Cristobal	918.5

Total Route Miles

13,784.4

[fol. 3082]

December 31, 1938

Miami-Havana	225.5
Miami-Nassau	188.0
Miami-San Juan	1,136.6

3167

<i>Routes</i>	<i>Route Miles</i>
San Juan-Port of Spain	749.5
Port of Spain-Paramaribo	563.9
Paramaribo-Buenos Aires	4,501.3
Miami-Cristobal (via Barranquilla)	1,537.3
Kingston-Cristobal (direct)	631.0
Brownsville-Mexico City	463.4
Mexico City-Salvador	795.3
Salvador-Cristobal	883.7
Barranquilla-Port of Spain	946.4
Rio-Buenos Aires (via Asuncion)	1,572.0
Port au Prince-Maracaibo	540.0
Havana-Merida	491.0
Kingston-Port au Prince	455.0

Total Route Miles

15,679.9

December 31, 1941

Miami-Havana	225.5
Miami-Nassau	188.0
Miami-Balboa (via Camaguey direct)	1,207.5
Miami-Balboa (via Barranquilla)	1,547.0
Miami-San Juan (via Antilla, Port au Prince and San Pedro)	1,413.6
San Juan-Port of Spain (via Islands)	749.5
Port of Spain-Paramaribo	582.6
Paramaribo-Rio	3,225.4
Belém-Rio (via Cut-off)	1,533.5
Rio-Buenos Aires (via Porto Alegre)	1,275.9
Rio-Buenos Aires (via Asuncion)	1,572.0
Brownsville-Mexico City	463.4
Mexico City-San Salvador	795.3
San Salvador-Balboa	848.7
Barranquilla-Port of Spain	958.8
Port au Prince-Maracaibo	540.0
Havana-Merida	491.0
Kingston-Port au Prince (via Santiago)	455.0


Total Route Miles

17,795.7

3168

[fol. 3083] [fol. 3084]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 293

(See opposite) 

PA. AIRCRAFT AND AIR. INC.
NEW YORK, N. Y.

EXHIBIT No. 2-15
Revised: E. C. Smith

E. C. Smith's Revised, January 12, 1939, as per Preliminary Conference of the Board, December 3, 1938

PASSENGER PASSENGER AIR EXPRESS RATES MEXIC RATES

DATE	MEXICO CITY - CRISTOBAL		MEXICO CITY - PANAMA CITY		PANAMA CITY - CRISTOBAL		via East or West Coast MEXICO CITY
	MEXICO CITY	CRISTOBAL	MEXICO CITY	CRISTOBAL	PANAMA CITY	CRISTOBAL	
January 21, 1939	647.50	647.50	1795.00	1795.00	0	0	0
July 1, 1939	36.00	36.00	369.00	369.00	217.00	217.00	779.00
December 1, 1939	36.00	36.00	369.00	369.00	200.00	200.00	645.00
February 15, 1940	238.00	238.00	238.00	238.00	190.00	190.00	729.00
January 1, 1940	216.00	216.00	216.00	216.00	180.00	180.00	645.00
March 1, 1940	216.00	216.00	216.00	216.00	180.00	180.00	645.00
April 15, 1940	216.00	216.00	216.00	216.00	180.00	180.00	645.00
February 1, 1940	216.00	216.00	216.00	216.00	180.00	180.00	645.00
June 15, 1940	216.00	216.00	216.00	216.00	180.00	180.00	645.00
December 1, 1940	216.00	216.00	216.00	216.00	180.00	180.00	645.00
March 15, 1941	197.00	197.00	197.00	197.00	150.00	150.00	579.00
June 15, 1941	197.00	197.00	197.00	197.00	150.00	150.00	579.00
July 15, 1941	197.00	197.00	197.00	197.00	150.00	150.00	579.00
May 1, 1941	197.00	197.00	197.00	197.00	150.00	150.00	579.00
January 1, 1942	228.00	228.00	228.00	228.00	170.00	170.00	645.00
September 15, 1942	175.00	175.00	175.00	175.00	130.00	130.00	479.00
September 25, 1942	175.00	175.00	175.00	175.00	130.00	130.00	479.00
October 1, 1942	180.00	180.00	180.00	180.00	130.00	130.00	479.00
June 1, 1943	no change	no change	no change	no change	130.00	130.00	479.00
March 1, 1943	no change	no change	no change	no change	130.00	130.00	479.00

- * Miami-Cristobal-El Estero-Cristobal.
- * Miami-Cristobal-El Estero.
- * Miami-Cristobal-El Estero-Savannah-Cristobal.
- * El Estero to Cristobal 10-15-39.
- * Cancelled
- * Proposed

- * Prior to this date, and 25.00 to fare between Savannah-Cristobal-Panama City for full fare basis. City-Fare Crs. 4-15-39 First through plane Savannah-Cristobal.
- * Below terminal point.
- * Add 2.00 Miami-Cristobal to Atlanta; or Savannah-El Estero to Cristobal.

2-15-39

307

AL JORDAN AIRWAYS, INC.
 AIR SERVICE NO. 777

Subject No. 7-2
 Page 2

[4808 701]

PASSENGER FARE AND AIR FARE RATES TO DATE

Date of Change	AIR SERVICE NO. 777		
	WASH CENTRAL per lb.	MEMPHIS per lb.	MEMPHIS per lb.
March 30, 1951	42.00 y	0 -	0.20
June 15, 1951	1.00 a	1.00 a	1.00
September 1, 1951	-	1.00 a	-
December 1, 1951	-	1.00	-
April 1, 1952	0.90	2.20	0.90
March 15, 1952	0.74	1.75	0.65

y Via Central location
 a Higher rate

a Via East Coast
 a Either (a) or East Coast.

Note: The first official tariff of air express rates to this date was published effective March 30, 1951.

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54(5)

[fol. 3085]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 294

74TH CONGRESS }
1st Session }

SENATE

{ DOCUMENT
{ No. 45

FEDERAL AVIATION COMMISSION

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

Pursuant to Law, a Report of the Federal Aviation Commission Containing Its Recommendations of a Broad Policy Covering All Phases of Aviation and the Relation of the United States Thereto

JANUARY 30 (calendar day, JANUARY 31), 1935.—Read; referred to the Committee on Interstate Commerce and ordered to be printed

UNITED STATES
GOVERNMENT-PRINTING OFFICE
WASHINGTON : 1935

[fol. 3086]

Copies of this publication may be procured from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C., at 20 cents per copy.

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[fol. 3087]

MESSAGE OF TRANSMITTAL

To the Congress of the United States:

I am submitting herewith the report of the Federal Aviation Commission appointed by me last summer by direction

of the Seventy-third Congress. The Commission has made a diligent study of the broad subject of aviation conditions here and elsewhere and emphasizes the excellent American progress in this new form of transportation. The Commission has also studied problems of national defense, of procurement policies, and of the extension of air transport services. I invite your attention to these comprehensive surveys.

As I have suggested on many occasions, it becomes more and more apparent that the Government of the United States should bring about a consolidation of its methods of supervision over all forms of transportation. When the Interstate Commerce Commission was created in 1887 the railroad was practically the principal method of rapid interstate transportation. Since that time this monopoly of transportation enjoyed by the railroad, to a very important degree, has been limited by the development of the automobile and good interstate roads. Recently water transportation by lake, by river, by canal, and by ocean has, largely through the construction of the Panama Canal and our inland waterways, definitely brought ships and shipping into the general interstate field. More recently still air transportation has become an element. All of these developments have changed the general problem of transportation and the concern of the Government with them. A number of valuable reports have been prepared on these related questions. The report of the Federal Coordinator of Transportation has already been submitted to the Congress by the Interstate Commerce Commission. The report deals with the many problems relating to busses, trucks, water carriers, and railroads. Other reports of departmental committees on ocean mail subsidies have been completed. This present report on aviation is a similar source of information and advice concerning transportation by air. I earnestly suggest that the Congress consider these various reports together in the light of the necessity for the development of interrelated planning of our national transportation. At a later date I shall ask the Congress for general legislation centralizing the supervision of air and water and highway transportation with adjustments of

our present methods of organization in order to meet new and additional responsibilities.

There are detailed questions, however, that require early action. Our extended mail contracts with air lines expire on or about March 1, and existing legislation dealing with primary and secondary routes should be revised before that time. The Commission suggests that the Interstate Commerce Commission be given temporarily the power to lower or increase air-mail rates as warranted in their judgment after full investigation. The purpose of this is to prevent the destruction of any efficiently operated part of the present system pending suitable consideration by the Congress of what permanent measures should be taken and what amendment, if any, the present general transportation policy of the Government should undergo. I concur in this recommendation of the Federal Aviation Commission provided always that the grant of this duty to the Interstate Commerce Commission be subject to provisions against unreasonable profits by any private carrier. On account of the fact that an essential objective during this temporary period is to provide for the continuation of efficiently operated companies and to guard against their destruction, it is only fair to suggest that during this period any profits at all by such companies should be a secondary consideration. Government aid in this case is legitimate in order to save companies from disastrous loss but not in order to provide profits.

The Commission further recommends the creation of a temporary Air Commerce Commission. In this recommendation I am unable to concur. I believe that we should avoid the multiplication of separate regulatory agencies in the field of transportation. Therefore in the interim before a permanent consolidated agency is created or designated over transportation as a whole, a division of the Interstate Commerce Commission can well serve the needs of air transportation. In the granting of powers and duties by the Congress orderly government calls for the administration of executive functions by those administrative departments or agencies which have functioned satisfactorily in the past and, on the other hand, calls for the vesting of

judicial functions in agencies already accustomed to such powers. It is this principle that should be followed in all of the various aspects of transportation legislation.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *January 31, 1935.*

[fol. 3089]

Prepared and submitted in accordance with the
Act of Congress of June 12, 1934

CLARK HOWELL, *Chairman.*

EDWARD P. WARNER, *Vice Chairman.*

ALBERT J. BÉRRES.

JEROME C. HUNSAKER.

FRANKLIN K. LANE, JR.

A. CARROLL CONE, *Executive Secretary.*

[fol. 3090]

- (24) No changes should henceforth be made in the existing foreign air-mail contracts except with the approval of the commission hereinafter proposed.

There is at the present time a legal and financial structure of foreign air-transport which includes a number of air-mail contracts that have some five years yet to run. Though we are proposing a change in the form of administration of new foreign routes, and in the financial relationship of their operators with the government for the future, we accept the present contracts not only as legally binding but as a legal foundation for a highly important and continuously functioning service. We should consider it most unfortunate if they were to undergo any sudden disturbance.

We therefore propose that they be left undisturbed, and that existing services continue under the direction of the Post Office Department and be compensated by the Post Office appropriation unless and until a new commission

shall have been established and new arrangements without definite term of expiration arrived at by joint agreement between present operators and the commission.

[Col. 3091]

(25) The governmental administration of foreign air transport should as far as possible be kept similar to that of the domestic air line system, but with such modifications as may be clearly necessitated by a fundamentally different political, legal, and operating status. The status of American air transport in foreign fields ~~competing with foreign owned air lines~~ should in general not be one of competition between American lines, but of carefully-controlled regional monopoly. The general powers of the commission hereinafter proposed in connection with foreign air transport should be essentially similar to those which it enjoys in the domestic field, and the commission should have the additional power of stipulating for fixed periods certain minimum and maximum conditions of service and of governmental aid in the interest of stability of the undertaking and of encouragement of large investment in ground facilities.

We have already explained the general mechanism that we have in mind for the supervision of air lines by a commission. The system suggested is, we believe, capable of adapting itself from domestic to foreign routes without fundamental change, but there are some points of difference that must be taken into account. Foremost among them are that an air line operating internationally has to be a self-contained enterprise and provide its own facilities to a much greater extent than any domestic line is required to do, and that it has to meet foreign competition. If American air lines are to compete with lines under foreign direction it would be an obvious absurdity to divide the American strength by competition among a multiplicity of American-flag enterprises. The aid that is appropriated for foreign air transport in any particular part of the globe

ought not to be squandered by dividing it among two or more competitors who will use government-provided funds to duplicate each other's facilities. The spur to progress that only competition can supply should be adequately furnished by the foreign competitor, coupled with the constant watchfulness of American governmental authorities over the standard of service rendered and with their periodic specification of standards as high as the commercial importance of the line may justify.

The fact that the foreign lines are necessarily self-contained has also to be reckoned with. No government can engage in great engineering undertakings outside its own borders. It is impossible for the Department of Commerce to set up lights and radio stations in Central America or the Orient, and in many cases the countries concerned have found no adequate reason to provide facilities themselves. [Vol. 3092] It has been necessary for the air lines to build their own landing fields, provide their own meteorological service, maintain their own communications systems, and install their own lights if night flying were to be attempted. All that has been supplementary to the development of operating and traffic organizations, and the maintenance of offices in many lands and working in many languages, and the establishment of good standing with the governments and peoples through whose territory the lines must pass. It is impossible that all that should be done, involving as it does a very heavy capital outlay, without some definite assurance of a continuance of governmental aid over a considerable period.

That has been fully recognized, and the present device is the award of a ten-year contract, fixing the rates of compensation over that period. European governments have generally followed a corresponding course except that in some cases their contracts have been for much more than 10 years. The fixed-term contract works well during the first few years of its existence. After that, it seems to be the case that it will generally work progressively worse until as the expiration date approaches affairs become calamitous and emergency measures have to be taken. No one in the world has ever been wise enough to estimate at

any time what air transport will be doing, or what kind of equipment it will be using, or how much assistance it will be needing, ten years from that date. Any rigorously fixed arrangement runs the risk either of appearing as manifestly excessively generous or of becoming so inadequate as seriously to handicap the development of the service long before its term is run. Even with that difficulty surmounted, it would still be necessary to anticipate a violent disturbance near the end of the contractual period. Either the management of an air line will succeed in digging themselves in so firmly during the period of their first contract that they can rely on getting a renewal virtually on their own terms, which is plainly unfair to the government, or they will feel that they have no assurance of renewal and in that case will be under a strong temptation to avoid new capital expenditures and let everything deteriorate in the last years in order to get their investment out by attrition by the time the contract expires. We have found no evidence on America's foreign lines of any disturbing effect of the prospective expiration of the contracts yet having been manifest, but we suggest that the possibility should be foreseen and a better and more flexible arrangement be introduced before the present one winds itself up in accordance with its present terms.

There must be some assurance of reasonable stability in the relations between the government and the foreign air-lines. On the other hand, the fixed-term contract has the dangers and involves the disturbances that we have discussed. We then recommend only that the commission [fol. 3093] regulating the financial affairs of air transport in its relations to the government should have the power to make certain definite commitments.

It might be desirable, for example, that if at a given time it appeared necessary to make grants of direct aid in the amount of \$1.05 per mile over a route where two schedules were maintained every week the commission might give assurance, subject to the availability of appropriations, that the number of schedules would not be reduced without two or three years' notice and that the amount of aid given and the rate of mail payment would not be de-

increased by more than one third or some other suitable fraction within a two- or three-year period. Rather than set a fixed term, which comes ultimately to an expiration, we suggest that it would be better to give the foreign lines a permanent assurance of reasonable notice of any change in their relations to the government which might fundamentally affect their ability to continue operation. They might then feel assured of having the substantial period provided by the notice to dispose of their equipment or otherwise to get their capital out if continued operation appeared impossible, and they would be justified in making an investment that they could not reasonably venture without some such guarantee.

The figure just mentioned in an illustrative example may seem startlingly high. It is of course necessary to make much larger direct payments on foreign lines than on domestic ones because of their necessity, already mentioned, of providing their own ground and navigational facilities. The present maximum of payment under the Foreign Air Mail Act is \$2 per mile, of which some thirty or forty cents on the average may be considered as commercial payment for handling of the United States mails, while another like amount is returned to the Treasury by the line from its receipts for the carriage of foreign mail back to the United States. If the carriage of mail were put on a purely commercial basis, we would not anticipate that the additional sums given in direct aid ought ever to have to exceed \$1.25 per mile flown with equipment now current. The introduction of aircraft of much larger capacity and consequently higher total operating costs might make further increases in that figure necessary on certain routes.

The total net outlay of this government on foreign air transport at present, above the fair commercial charge for carrying the mails, is approximately \$5,000,000 per year. Though these services, like the domestic ones, are making a gradual progress towards a reduction of dependence upon governmental help, and though the present system could be maintained at a gradually diminishing net expense, we believe that the present total will need to be increased if American-operated routes are to be extended as we are convinced that they should be.

[fol. 3094]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 295

25

Total Number of Passengers Reporting from the United States for South America, Central America and the West Indies, 1937-June 1, 1938

Nationalities	1936			1937			1938			1939			1940			1941			1942			1943			1944			1945		
	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total			
South America:																														
Regular sailings	2	2	2	6,987	2	2	5,754	2	2	4,999	2	2	4,647	2	2	5,933	2	2	6,475	2	2	6,952	2	2	11,077	2	2			
Cruiers	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total	2	2	2	6,989	2	2	5,756	2	2	4,999	2	2	4,649	2	2	5,935	2	2	6,477	2	2	6,954	2	2	11,079	2	2			
Central America:																														
Regular sailings	2	2	2	15,401	2	2	12,570	2	2	10,200	2	2	12,210	2	2	12,167	2	2	15,180	2	2	15,177	2	2	18,067	2	2			
Cruiers	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total	2	2	2	15,403	2	2	12,572	2	2	10,202	2	2	12,212	2	2	12,169	2	2	15,182	2	2	15,179	2	2	18,069	2	2			
West Indies (and Bermuda):																														
Regular sailings	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Bermuda	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Cuba	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Other West Indies	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Cruiers	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Bermuda	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Cuba	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Other West Indies	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total - Bermuda	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total - Cuba	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total - Other West Indies	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Total - West Indies and Bermuda	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
By Travel	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			
Grand total	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2			

Nationalities	1946			1947			1948			1949			1950			1951			1952			1953			1954			1955		
	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total	United States citizens	Aliens	Total			
South America:																														
Regular sailings	7,416	5,957	13,305	8,754	6,179	14,305	7,714	5,999	13,713	9,785	9,284	19,079	4,271	6,822	11,093	9,574	9,679	19,205	875	1,041	1,916	1,916	1,916	1,916	1,916	1,916	1,916			
Cruiers	247	247	494	1,816	100	1,916	2,177	120	2,297	4,053	136	4,189	1,277	13	1,290	2,255	2	2,257	2,255	2	2,257	2,255	2	2,257	2,255	2	2,257			
Total	8,162	6,204	14,316	10,570	6,279	16,849	9,891	6,119	16,010	13,838	9,420	23,268	5,548	6,835	12,383	11,829	9,681	21,510	877	1,043	1,918	1,918	1,918	1,918	1,918	1,918				
Central America:																														
Regular sailings	10,709	3,905	14,614	15,371	3,392	18,763	15,316	3,715	19,031	10,000	3,877	13,877	17,561	3,111	20,672	22,412	2,477	25,111	1,711	190	1,901	1,901	1,901	1,901	1,901	1,901				
Cruiers	2,476	2,476	4,952	4,577	77	4,654	2,277	7	2,284	4,113	36	4,149	2,060	0	2,060	4,108	66	4,174	14	0	14	14	14	14	14	14				
Total	13,185	6,381	19,566	19,948	3,469	23,417	17,593	3,722	21,315	14,113	3,913	18,026	19,621	3,111	22,732	26,520	2,543	29,285	1,725	190	1,915	1,915	1,915	1,915	1,915					
West Indies (and Bermuda):																														
Regular sailings	17,599	4,796	22,377	31,117	5,830	36,947	16,891	5,192	22,083	10,556	4,361	14,917	6,426	3,199	9,625	9,166	1,214	10,380	2,799	79	2,878	2,878	2,878	2,878	2,878	2,878				
Bermuda	37,213	14,901	52,114	45,465	25,508	70,973	45,915	17,275	63,190	33,102	13,545	46,647	10,736	11,360	22,096	10,557	10,046	20,603	9,583	1,040	10,623	10,623	10,623	10,623	10,623	10,623				
Cuba	10,141	7,360	17,501	29,869	7,981	37,850	17,712	7,465	25,177	18,771	3,875	22,646	11,015	0	11,015	19,808	5,361	25,169	4,362	74	4,436	4,436	4,436	4,436	4,436					
Other West Indies	22,257	22,257	44,514	29,310	0	29,310	110,518	25,212	125,028	91,971	25,181	117,152	57,203	23,000	80,203	17,121	52,642	11,741	2,477	14,218	14,218	14,218	14,218	14,218	14,218	14,218				
Total	67,219	29,313	96,532	116,612	39,219	155,831	72,616	36,665	109,281	66,830	37,887	104,717	34,667	37,559	72,226	30,814	27,547	58,361	13,911	1,113	15,024	15,024	15,024	15,024	15,024	15,024				
Cruiers	25,419	697	26,116	7,001	213	7,214	3,317	87	3,404	3,505	77	3,582	863	0	863	271	17	880	3,036	17	3,053	3,053	3,053	3,053	3,053	3,053				
Bermuda	14,121	861	14,982	10,999	413	11,412	6,608	69	6,677	3,132	86	6,768	1,876	137	6,905	3,089	17	6,922	3,053	17	3,069	3,069	3,069	3,069	3,069	3,069				
Cuba	10,141	2,211	12,352	21,869	71,200	93,069	1,097	7,407	8,504	2,704	12,199	17,917	659	18,578	20,376	24	20,399	21,623	24	21,647	21,647	21,647	21,647	21,647	21,647	21,647				
Other West Indies	17,599	2,476	20,075	22,116	1,715	23,831	79,828	3,653	83,481	62,872	3,777	66,649	33,956	23,779	60,635	37,753	17,121	57,776	11,741	2,477	14,218	14,218	14,218	14,218	14,218	14,218				
Total	92,638	39,986	132,624	144,033	41,347	185,380	82,444	40,351	122,795	79,330	41,664	120,994	49,599	61,338	110,937	40,814	44,670	85,484	17,911	1,113	19,024	19,024	19,024	19,024	19,024	19,024				
Total - Bermuda	63,518	3,195	66,713	59,018	4,613	63,631	50,000	3,799	53,799	14,111	4,111	18,222	17,087	1,507	18,594	9,166	1,214	10,380	2,799	79	2,878	2,878	2,878	2,878	2,878	2,878				
Total - Cuba	33,336	15,053	48,389	36,384	15,923	52,307	50,303	17,526	67,829	30,538	11,611	52,449	22,065	13,367	65,816	30,019	10,046	40,065	9,583	1,040	10,623	10,623	10,623	10,623	10,623	10,623				
Total - Other West Indies	67,722	2,462	70,184	59,599	11,071	70,670	81,806	10,976	92,782	77,920	12,779	90,699	31,962	6,890	97,589	41,726	9,362	107,951	13,911	1,113	15,024	15,024	15,024	15,024	15,024	15,024				
Total - West Indies and Bermuda	131,240	20,779	152,019	115,417	27,604	143,021	131,806	22,775	154,581	112,600	24,890	137,490	49,599	21,005	158,594	72,751	17,121	175,712	13,911	1,113	15,024	15,024	15,024	15,024	15,024	15,024				
By Travel	14,979	4,308	19,287	10,306	4,704	15,010	20,163	4,793	24,956	21,063	7,306	28,369	22,115	6,391	28,506	47,861	7,303	50,169	22,962	7,007	30,016	30,016	30,016	30,016	30,016	30,016				
Grand total	146,219	25,087	171,306	125,723	32,308	158,031	151,969	27,568	179,537	133,663	42,196	165,859	71,714	27,396	193,255	112,551	24,424	228,075	20,922	8,119	29,041	29,041	29,041	29,041	29,041	29,041				

Excluding Puerto Rico.

Not available.

The part of the West Indies. That there is little cruise travel except via this port, however, is evidenced by the following comparison of cruise travel to all areas except Puerto Rico and the West Indies via the port of New York and via all ports, respectively: 1937, 62,172 and 66,971; 1938, 55,534 and 59,705.

Not shown separately. Included in Other West Indies.

Excluding travel from totally destined to Mexico, part of which may be en route to other Latin American destinations.

Approximate figures.

In addition, there were recorded 13 persons designated as returning from cruises by air.

Source: Data furnished by the International Committee and Statistics Unit, Bureau of Census and Statistics, based upon records of the United States Immigration and Naturalization Service, Department of Justice.

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EXHIBIT 295

DEFENDANTS
PAN AMERICAN
S. D. OF
EXHIBIT
18
1938

Research and Analysis Division
Immigration Service
Civil Documentation Unit

[fol. 3095]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 296

PAN AMERICAN AIRWAYS, INC.

CAB

Docket No. 779

Exhibit No. A 2

R. G. Ferguson Witness
Page 1

Public Counsel's Request Appendix I, Item 2 As Per Prehearing Conference Report Served December 31, 1942

Total Volume of Passenger Traffic Out of Miami
1929 - 1942

Outbound from Miami to:	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
C Havana	1,803	2,112	3,764	3,981	6,222	7,533	9,438	9,746	13,877	15,159	20,298	23,226	27,187	16,703
C Camaguey	2	57	47											230
C Santiago	10					2	2						3	93
C Port au Prince	11	21	20	29	54	84	83	101	174	139	184	219	197	366
C San Domingo	6	44	37	7			2							
C San Juan	13	53	83	117	198	339	403	465	563	531	753	1,031	1,974	4,607
C Nassau	230	517	975	839	1,382	2,101	2,435	2,838	3,655	3,535	4,199	5,623	6,382	4,048
C Cristobal (1942-Balboa)	1	15	55	54	104	152	168	175	320	401	464	1,241	2,273	6,053
C Managua	2	11	23											6
C Belize		5	21	2			3	8	12	1				
C Tela		3	2											
S Paramaribo		4	1	2	1		3	12	5	7	22	21	57	104
S Port of Spain		1	8	20	17	27	50	76	191	181	345	524	882	1,563
C San Salvador		4	7	15									1	4
C Puntarenas		3												
C St. Thomas		1	2	5	2	14	9	17	14	10	26	35	46	99
C Bimini		2												
S Maracaibo		1	9	16	68	117	86	88	219	245	364	361	288	839
C Panama		1												
C Cienfuegos			23	16	7	6	8	13	14	18	41	47	17	17
C Kingston			82	87	121	203	230	337	443	514	501	492	878	798
C Port Castries			3	1	1		3							
S Georgetown			2	1	3	10	9	20	16	17	40	28	103	169
C St. Johns, Antigua			1		1	5	2	3	3	5	2	10	50	80
S Para (Belem)			22	24	37	100	84	38	65	23	26	44	129	322
S Barranguilla			15	54	65	107	106	134	242	685	1,072	839	762	1,423
S La Guaira			3	9	9	24	20	49	78	89			274	1,064
S Maturin			2	1		6	1							
C San Lorenzo			2											
C Nuevitas			5	35	33	44	29	28						

(continued)

[fol. 3096]

Exhibit No. 7-2
Page 2

PAN AMERICAN AIRWAYS, INC.

C.B. Docket No. 779

Total Volume of Passenger Traffic Out of Miami 1929 - 1942

Outbound from Miami to:	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
C San Jose			2										12	121
C Guatemala			2										2	11
C San Pedro de Macoris			7	69	83	81	106	92	167	118	182	183	299	321
S Cayenne				1	1	4	1		4	14	2	6	6	16
C Puerto Barrios				5										
S Coro				1	1				3	2				3
S Caripito				4	16	87	64	51	129	55			70	124
C Merida				38	72	124	120	50	31	25	45	50	447	354
C Cat Cay					50	65	68	231	529	431	496	472	327	82
C Ponce					1									
S Camarebo					5	19	3	1						
C Tampa						20								
C Guadeloupe							3							
C Cosumel							1	1						
S Buenos Aires							18	57	68	69	76	99	512	405
S Santos							3	2	6					
S Rio de Janeiro							11	137	128	124	164	329	426	1,276
C Key West								1,868	1,108	413				
C Pointe a Pitre								4	3	5	8	9	4	40
C Fort de France								7	5	6	23	20	18	12
S Sao Luis								6	3	2		2	3	12
S Fortaleza								1						9
S Recife								13	19	17	18	17	19	125
S Victoria														1
S Montevideo								1	1					
S Sao Salvador (Bahia)								4	2	7	11	14	28	61
S Porto Alegre									2		1	5	4	17
C Antilla									36	39	44	30	18	43
S Natal										1			14	69
S Sao Paulo										1	18	11	49	91
S Asuncion										4	2	9	17	36
S Quana										26				
S Iguazu Falls											1	1	1	

(continued)

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PAN AMERICAN AIRWAYS, INC.

CAB Docket No. 779

Total Volume of Passenger Traffic Out of Miami 1929 - 1942
(Continued)

Outbound from Miami to:	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
S Camocin											5	3	1	2
S Areia Branca											3			
S Parnahyba												1	1	
S Macao												1	9	11
S Caravellas												4		
S Curitiba													2	2
C Mexico City													11	29
C Tegucigalpa													1	5
S Barcelona													34	124
C Managua													7	
C Brownsville													41	37
C St. Lucia														3
C Tapachula														1
Sub-Totals:														
South American Stations (S)		6	62	133	223	501	499	680	1,181	1,569	2,170	2,319	3,693	7,888
Caribbean & Other Stations (C)	2,078	2,849	5,163	5,300	8,331	10,779	13,113	15,983	20,954	21,350	27,266	34,708	40,155	34,123
Total	2,078	2,855	5,225	5,433	8,554	11,280	13,572	16,663	22,135	22,919	29,436	37,027	43,848	42,011

(Prior to July 1, 1941 (except for two months 1940) passenger traffic statistics reflected in this exhibit were compiled on the basis of flight coupons used to stop-over points or division junctions. The same trip of the same passenger may therefore be shown several times. Since July 1, 1941, passenger traffic statistics reflected in this exhibit have been compiled to show origin and destination on Pan American Airways, Inc. regardless of stop-overs.)

[fol. 3098]

ATLANTIC AIR LINES, INC.
 CAB DOCKET 779

No. 2
 Page 2

Public Counsel's Request Appendix 1, Item 2 as Per Prehearing Conference Report Served December 31, 1942

Total Volume of Passenger Traffic Into Miami

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
INBOUND TO MIAMI FROM														
C Havana	2294	2,477	4,399	4,484	6,527	7,946	10,182	9,986	14,764	15,439	20,980	26,010	28,312	17,897
C Canaquay	4	77	74										13	802
C Port Au Prince	20	39	64	68	79	108	100	164	182	169	194	206	209	393
C San Juan	32	89	139	187	275	471	553	672	844	775	896	1,214	2,205	5,530
C Cristobal (1942-Balboa)	3	18	64	81	138	173	218	267	360	517	554	1,368	2,315	7,062
C Nassau	341	640	1,295	1,055	1,608	2,244	2,784	3,082	4,033	3,821	4,372	5,647	6,464	3,605
C Santiago	8	3		1	2	4							5	44
C San Domingo	28	62	80	3	4		1							
S Georgetown				2	5	13	12	27	14	18	32	19	64	171
C Kingston		2	131	141	149	282	297	352	546	653	603	542	881	1,951
S Port of Spain		5	23	15	22	35	54	91	277	265	492	510	514	1,211
C Balise		15	12	3			3	3	9	2				
C Tala		6	4											
C San Salvador		3	15	11										
C San Jose		4	3											
C Managua		16	21											
C Pan'arema		3												
C Paramo		6	5											
S Maracaibo		4	38	50	109	137	135	145	224	389	708	688	445	954
S Pt. Cabello		4												
C Cienfuegos			22	51	9	16	11	13	18	28	50	37	25	30
C Nuevitas			3	54	56	52	45	46						
C San Pedro De Macoris			8	100	120	134	134	129	147	146	199	210	292	432
C St. Thomas			2	7	4	11	13	18	12	31	22	22	42	97
C St. Johns, Antigua			2	1		5	3		1	4	6	7	55	618
C Port Castries			2	1		1	3							
S Para (Nolen)			25	38	73	110	93	41	74	31	47	70	91	260
S Barranquilla			39	81	110	170	212	265	472	649	1,474	1,314	1,002	1,327
S La Guaira			3	13	15	23	16	42	95	147				257
S Maturin			5				2							
C Puerto Maricao			1	1										
C Verida			3	48	102	146	147	51	39	4	41	52	453	417
C San Lorenzo			3											

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[fol. 3099]

CAB DOCKET #779

Total Volume of Passenger Traffic Into Miami 1929 - 1942
(continued)

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TRIP TO MIAMI FROM (cont)	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
Guatemala			2											
Paramaribo				2	1	1	1	2	11	8	13	29	38	117
Cayenne				1	2	3	1	1				3	1	10
Layo Obispo				1										
Caripito				8	10	27	36	32	52	1				
Cat Cay					63	70	70	185	559	462	559	479	327	92
Ponce					1									
Coro					2				2	12				
Omarebo					1	1	9	1						
Tampa						3								
Cosumel						1	1		1					
Bimini						1	2							
Port De France							6	6	7	10	7	22	39	5
Buenos Aires							16	81	81	50	72	70	607	621
Santos								3	5					
Recife							6	18	14	20	17	24	17	79
Rio de Janeiro							10	115	178	163	196	438	575	1,350
Key West								1,990	1,285	445				
Pointe A Pitre								5	1	5	5	2		38
Sao Luis								7	1	1		1	1	2
Portaleira								1						4
Areia Branca								2						
Montevideo								1	2					
Antilla									10					
Sao Salvador (Bahia)									26	40	41	43	41	33
Duanta								3	7	8	4	8	7	38
Natal										7				
Sao Paulo										3			1	9
Asuncion										5	21	18	47	68
Lis Correa										3	3	6	15	46
Macio											1			
Maciocia											1		5	2
												1	1	2

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of

[fol. 8100]

PAN AMERICAN AIRWAYS, INC.CABINET 8779

Exhibit No. P-2

Page 6Total Volume of Passenger Traffic Into Miami 1929 - 1942

<u>INBOUND TO MIAMI FROM (cont)</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>
S Victoria.												1	1	
S Curitiba.													2	
S Porto Alegre.													1	9
C St. Lucia.														114
Sub Totals														
So th American Stations (S)	13	133	210	350	520	606	875	1,519	1,800	3,061	3,200	3,435	6,537	
Caribbean & Other Stations (C)	2,730	3,460	6,354	6,298	9,437	11,708	14,573	16,971	22,203	23,084	28,529	35,861	41,708	39,130
Grand Total	<u>2,730</u>	<u>3,473</u>	<u>6,487</u>	<u>6,508</u>	<u>9,737</u>	<u>12,228</u>	<u>15,179</u>	<u>17,846</u>	<u>24,422</u>	<u>26,486</u>	<u>31,610</u>	<u>39,061</u>	<u>45,143</u>	<u>45,667</u>

(Note on Page 3) this exhibit applicable above statistics.)

Exhibit No. P- 2
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PAN AMERICAN AIRWAYS, INC.
CASE DOCKET #779

Public Counsel's Request, Appendix I, Item 2 as per Prehearing Conference Report Served December 31, 1942
Total Volume of Passenger Traffic Out of Brownsville
1929 - 1942

SOUTHBOUND FROM BROWNSVILLE TO -		July 1 - Dec. 31 1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
C	Cristobal				19	20	20	35	15	32	71	56	77	572	9
C	David				1								2	3	
C	Managua				5	5	8	15	13	10	16	21	56	92	98
C	Panama				3	6	3	3	1	2	10	17	54		
C	San Jose				1	1	4	6	6	7	10	3	26	119	239
C	San Lorenzo				1	2									
C	San Salvador		2		6	5	5	9	6	4	8	23	26	57	76
C	Merida		1		2	2	13	16	2						
S	Sanigüita													4	
C	Guatemala		3	14	9	6	9	13	30	67	36	68	169	400	245
C	Mexico, D. F.	126	279	173	337	385	589	1,118	1,351	2,299	1,398	1,921	3,155	4,238	2,221
C	Tampico	117	266	175	174	346	420	465	535	484	406	173	130	174	126
C	Minatitlan			2	3	3	4	4							
C	Tejoria (Vera Cruz)	1	3	3	3	3	2	2	2						
C	Tegucigalpa														
C	Tuxpan		1	2	8			3							
C	Tapachula				1				1	5	2	1	2	2	5
C	Puerto Barrios					1									
C	Willa Barrios					2									
C	Balboa													1,206	5,875
C	Georgetown													1	1
S	Paramaribo													1	1
S	Bahia													4	10
S	Rio de Janeiro													7	13
S	Buenos Aires													20	19
S	Barranquilla								2					33	82
S	Maracaibo												15	7	53
S	La Guaira													2	142

NORTHBOUND TO B

C	Cristobal	
C	David	
C	Guatemala	
C	Managua	
C	Panama	
C	San Jose	
C	San Lorenzo	
C	San Salvador	
C	Merida	
C	Mexico, D. F.	
C	Belize	
C	Puerto Barrios	
C	Tampico	
C	Tegucigalpa	
C	Minatitlan	
C	Tapachula	
C	Tuxpan	
C	Balboa	
S	Barranquilla	
S	Maracaibo	
S	La Guaira	
S	Barcelona	
S	Caripito	

[fol. 8102]

Exhibit No. P-2
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PAN AMERICAN AIRWAYS, INC.
CASE DOCKET #779Total Volume of Passenger Traffic Out of Brownsville
1929 - 1942
(continued)

SOUTHBOUND FROM BROWNSVILLE TO -		July 1 - Dec. 31 1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942
S	Port of Spain													12	65
C	Miami													83	30
C	San Juan													2	1
S	Cayenne														1
S	Asuncion														1
C	Port au Prince														1
S	Cora														1
S	Barcelona														21
S	Maturin														46
C	Havana														4
C	Carmen		2												
S	Curacao		2												
C	Poss Rica						1								
C	Outs. Zamora						1	2							
Sub-Totals															
South American Stations (a)			2						2				15	115	456
Caribbean & other stations (c)			557	369	573	787	1,079	1,694	1,979	1,979	2,973	2,381	8,710	6,988	9,007
TOTAL		244	559	369	573	787	1,079	1,694	1,981	1,979	1,973	2,301	3,725	7,101	9,463

(Note on Page 3 of this exhibit applicable to above statistics.)

PAN AMERICAN AIRWAYS, INC.

Public Counsel's Request, Appendix I, Item 2 as per Prehearing Conference Report Served December 31, 1942

1929 - 1942

[illegible]

[fol. 3104]

PAN AMERICAN AIRWAYS, INC.
CAN BOOK # 779

Total Volume of Passenger Traffic into Brownsville
1929 - 1942

<u>NORTHBOUND TO BROWNSVILLE FROM -</u>	<u>July 1 - Dec. 31</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>
<u>(continued)</u>															
S. Port of Spain													2	10	99
S. Matamoros															4
C. Tejeria (Vers Cruz)	2	6	3	2	4	2	1								
C. Corpus		1													
C. Villahermosa				3	2	1	4								
C. Ocosingo					2	1	2								
C. Pasa Rica						1									
C. Miami													2		37
C. Port au Prince															1
C. San Juan														1	1
C. Pointe a Pitre															1
S. Balcon													2		3
S. Rio de Janeiro													6		20
S. Sao Paulo															3
S. Asuncion															1
S. Buenos Aires														5	7
C. Havana														1	3
C. Kingston															2
S. Recife															1
<u>Sub Totals</u>															
South American Stations (S)													15	145	494
Caribbean and Other Stations (C)	335	553	489	866	1,058	1,319	2,712	2,305	2,469	2,295	2,737	4,243	6,480	8,305	
<u>TOTAL</u>	<u>335</u>	<u>553</u>	<u>489</u>	<u>866</u>	<u>1,058</u>	<u>1,319</u>	<u>2,712</u>	<u>2,305</u>	<u>2,469</u>	<u>2,295</u>	<u>2,737</u>	<u>4,258</u>	<u>6,625</u>	<u>8,799</u>	

(Note on Page 3 of this exhibit applicable to above statistics.)

EXHIBIT B.
Page 16

3104

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 297

Exhibit No. P 198

PAN AMERICAN AIRWAYS, INC.
DOCKET NO. 779*Pan American Airways, Inc.
Latin American Operations
Route Mileage as of December 31, 1929*

Miami—Nassau	> 193.5
Miami—Havana	251.
Havana—San Juan	1179.
San Juan—Port of Spain	752.
Port of Spain—Paramaribo	626.
Havana—Cristobal	1813.
Brownsville—Mexico City	472.
Tampico—Guatemala City	858.
Cristobal—Curacao	1023.
Total	7167.5

*Pan American-Grace Airways, Inc.
Route Mileage as of December 31, 1929*

Cristobal—Mollendo	2445.
Mollendo—Santiago	1265.
Santiago—Buenos Aires	732.
Buenos Aires—Montevideo	132.
Total	4574.

[fol. 3106]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 298

Exhibit No. P-199

PAN AMERICAN AIRWAYS, INC.
DOCKET NO. 779*Study Showing Relative Size of Pan American-Grace's
Passenger Revenue to Pan American Airways System
Passenger Revenue**By Years 1929 - 1942*

<i>Year</i>	<i>P.A.A. System</i>	<i>Panagra</i>	<i>% of System Total Representing Panagra</i>
1929	\$ 733,063.24	\$ 52,176.05	07.1%
1930	1,177,219.74	134,500.00	11.4%
1931	1,690,555.87	160,900.00	09.5%
1932	1,878,570.51	286,738.11	15.3%
1933	2,231,132.99	286,635.74	12.8%
1934	3,288,580.15	449,773.87	13.7%
1935	4,267,251.33	580,708.35	13.6%
1936	5,026,871.00	678,170.80	13.5%
1937	7,021,098.63	803,549.50	11.4%
1938	7,380,413.13	697,261.00	09.4%
1939	8,609,468.44	859,885.45	10.0%
1940	11,277,140.64	1,349,429.39	12.0%
1941	16,798,341.41	1,870,165.67	11.1%
1942	25,971,293.39	3,726,283.17	14.3%

* P.A.A. System totals do not include C.N.A.C.

[fol. 3107]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 299

AVIATION CORPORATION OF THE AMERICAS

Minutes of Special Meeting of Executive Committee
February 27, 1930

"Mr. J. T. Trippe thereupon submitted to the meeting an outline of the terms and conditions of a certain contract relating to the acquisition by this Company of shares of the capital stock of the Corporation therein referred to, and at the consideration therein stated. After full discussion by the Committee, said contract was, upon motion, duly made, seconded and carried, approved."

Minutes of Regular Meeting of the Board of Directors
April 17, 1930.

"Mr. Trippe thereupon read a letter reciting the terms and conditions of the contract which had been unanimously approved by the Executive Committee at a special meeting held on February 27, 1930. Upon motion, duly made, seconded and carried such action of the Executive Committee was ratified, approved and adopted."

Minutes of Regular Meeting of Board of Directors
March 31, 1931

"Mr. J. T. Trippe, Vice-President of the Corporation, reminded the Board that, commencing in January, 1930, the officers of the Corporation had been engaged in negotiations with Dr. Peter P. von Bauer for the acquisition of in excess of 80% of the capital stock of the Sociedad Colombo-Alemana de Transportes Aereos, a Colombian corporation, commonly known and hereinafter referred to as Scadta; that on February 15, 1930, Mr. Trippe had executed on behalf of the Corporation a contract for this purpose with Dr. von Bauer; and that the execution of this contract had been unanimously approved by the Executive Committee at a meeting held on February 27, 1930, and had been approved and ratified at a meeting of the Board of Directors held on April 17, 1930."

"Mr. Trippe reported that on the occasion of Dr. von Bauer's visit to New York in January, 1931, he had executed on behalf of the Corporation two agreements with Dr. von Bauer dated respectively January 19, 1931 and January 30, 1931, both modifying the agreement dated February 15, 1930, in a sense favorable to the Corporation, and that, since Dr. von Bauer's return to Colombia, it had become necessary to execute another agreement postponing certain of the dates in connection with the closing fixed in the foregoing agreements; and that April 8, 1931 had been set as the date for such closing.

"Mr. Trippe then presented to the meeting copies of all the agreements referred to above, which he had executed on behalf of the Corporation, such agreements being dated, respectively, February 15, 1930, January 19, 1931, January 30, 1931, and March 20, 1931.

"Mr. Trippe explained that, according to cable advices from Colombia, the net effect of the foregoing agreements would be that, out of the total of 20,000 shares of the stock of Scadta outstanding, the Corporation would acquire a total of 16,884 shares, as follows:

[fol. 3108]

	No. of Scadta Shares		Cash	Val. Shares
	12,000	Von Bauer	\$233,200	21,570
	2,500	Scadta Employees	99,900	1,439
	2,384	Public	111,489.37	
Totals	16,884		\$445,289.37	23,000

"Mr. Trippe reminded the Board that, for some time prior to the negotiation of the above mentioned agreements, the operating companies of the Pan American Airways System had enjoyed the cooperation of Scadta, and that this cooperation had been of the utmost value in securing operating rights for Pan American Airways, Inc. on the north coast and for Pan American-Grace Airways, Inc. on the west coast of Colombia; that Scadta was the oldest

successful commercial air transportation company in the world, having been established in 1921; that throughout its operation it had made a remarkable record as to earnings; that it enjoyed to a marked degree the confidence and the cooperation of the Colombian Government and people; and that it operated its own air mail service in Colombia and between Colombia and certain adjacent countries, held long term air mail contract with the Colombian Government under which it enjoyed the right to sell its own stamps, as well as mail contracts with the governments of Panama, Ecuador and Venezuela, and had recently been recognized as the official Colombian air mail administrator. Mr. Trippe further stated that the initiation of operations in the interior of Colombia would consolidate the operations of the Pan American System in the northern part of South America, and that it was eminently desirable that such extension of operation should take place through the acquisition of an established company rather than through an attempt to inaugurate competition with a successful company already established. Mr. Trippe also stated that Mr. J. H. Johnston, the Comptroller of Pan American Airways Inc., who had recently examined the property and income accounts of Seadta, and Mr. A. A. Priester, the Chief Engineer of Pan American Airways, Inc., who had recently examined the equipment and property of Seadta had concluded that the net worth of Seadta as of December 31, 1929, was at least \$1,400,000, and that operations during the year 1930 had resulted in a small profit after payment of dividends aggregating \$48,000. Mr. Trippe further stated that the officers of the Corporation felt that, in connection with the proposed Colombian operations, it was important to have the benefit of the services of Dr. von Bauer, and that the report which he had heretofore made as to the long experience of Dr. von Bauer in Colombia and his good standing in Governmental circles had been confirmed by Messrs. Johnston and Priester, and by other persons familiar with conditions in Colombia.

Mr. Trippe further stated that Mr. David E. Grant, of the law firm of Schuster & Fenille, had proceeded to Colombia to examine the validity of the organization of Seadta.

of its Governmental concessions and mail contracts and of the titles to its property, and had reported to the Corporation that, in his opinion, Scadta was a corporation duly organized and existing and in good standing under the laws of Colombia, that its Colombian concessions and air mail contracts were valid and contained no onerous conditions, and that, with certain possible exceptions, Scadta had good title to the various pieces of property reflected in the financial statements which Dr. von Bauer had delivered to the Corporation. Mr. Trippe also said that Mr. Grant had advised the Corporation that there was nothing in the organization papers of Scadta or in the laws of Colombia which would interfere with the complete control of Scadta by a person owning a majority of the capital stock.

[fol. 3109] "Mr. Trippe further stated that Messrs. Johnston and Priester had proceeded to Colombia to examine the books of account and the physical equipment of Scadta, and thus to determine the accuracy of the financial figures which Dr. von Bauer in the agreement of February 15, 1930, had warranted to be correct; that, in general, their report had been favorable, but that certain allowances for depreciation appeared to be inadequate and that liabilities amounting to some \$70,000 had apparently been omitted from Dr. von Bauer's figures, although, on the other hand, independent appraisers had valued the land and buildings at Barranquilla at figures higher than those submitted by Dr. von Bauer. Mr. Trippe said that in view of these possible discrepancies and the difficulties in regard to certain titles of Scadta which Mr. Grant had pointed out, the officers of the Corporation might think it wise to demand that Dr. von Bauer consent to a reduction in the consideration to be received by him under the agreements or that part of such consideration be withheld until the difficulties in regard to titles had been removed.

"A general discussion of the agreements submitted then followed. Thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

"RESOLVED, that the action of Mr. J. T. Trippe, Vice-President of this Corporation, in executing and deliv-

ering in the name and on behalf of this Corporation agreements between Aviation Corporation of the Americas and Dr. Peter P. von Bauer, dated respectively February 15, 1930, January 19, 1931, January 30, 1931 and March 20, 1931, copies of which have been submitted to the meeting, be and the same hereby is approved, ratified and confirmed as the act and deed of this Corporation; and

"RESOLVED, that the President and or the Vice-President of this Corporation be and they hereby are authorized and empowered in the name and on behalf of this Corporation, to take all such action as may be deemed appropriate in order that such agreements, with such modifications, if any, as such officers and or officer may, by their execution of the same, approve, may be performed by this Corporation.

"The Chairman suggested that formal resolutions be adopted with respect to the issuance of shares of the capital stock of the Corporation pursuant to the above agreements and such modifications thereof, if any, as might be agreed upon.

"Thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

"RESOLVED, that upon delivery to this Corporation of shares of the capital stock of Sociedad Colombo Alemana de Transportes Aereos, a Colombian corporation, in accordance with the agreements dated February 15, 1930, January 19, 1931, January 30, 1931 and March 20, 1931, previously ratified at this meeting, and such agreement or agreements, if any, modifying the same as the President and or Vice-President may execute, the proper officers of this Corporation be and they hereby are authorized and directed to issue and deliver in exchange for such shares of capital stock the number of full paid and non-assessable shares of the capital stock of this Corporation without par value not in excess of 23,000, called for by such agreements; and

"RESOLVED, that the fair value of the shares of the capital stock of said Sociedad Colombo-Marianá de Transportes Aéreos to be received by this Corporation [fol. 3110] as provided in said agreements is at least equal to the amount of cash to be paid by the Corporation and the value of the stock of this Corporation authorized by the foregoing resolution to be issued in exchange thereof; and

"RESOLVED, that The Chase National Bank of the City of New York, as Transfer Agent for the capital stock of this Corporation, be and it hereby is authorized and directed to record, countersign and deliver for registration to The New York Trust Company, as Registrar for the capital stock of this Corporation, and upon the redelivery thereof to it, to deliver to or upon the instruction of a proper officer of this Corporation certificates for a number of shares of the capital stock of this Corporation to be specified by said officer but not to exceed 23,000; and

"RESOLVED, that The New York Trust Company, as Registrar for the capital stock of this Corporation, be and it hereby is authorized and directed, upon receipt of such certificates from said The Chase National Bank of the City of New York, as Transfer Agent, to register and countersign such certificates and redeliver them to said Transfer Agent.

"The Chairman suggested that application be made for the listing on the New York Curb Exchange of the additional shares of the capital stock of this Corporation to be issued in connection with the agreements heretofore ratified by the meeting and or such modifications thereof, if any, as might be agreed upon.

"Thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

"RESOLVED, that this Corporation make application to list on the New York Curb Exchange not in excess of 23,000 additional shares of the capital stock of this Corporation; and

"RESOLVED, that the proper officers of this Corporation be and they hereby are authorized and directed, for and in behalf of this Corporation, to appear before the Committee on Listing and Securities of the New York Curb Exchange, to submit such papers to such Committee, and to take any and all such action as such officers may deem necessary or appropriate in connection with such application.

"Mr. Trippé suggested that the officers of the Corporation be empowered to take all steps necessary to vote the shares of stock of Scadta acquired or to be acquired by the Corporation. He explained that the stock of Scadta was bearer stock; that stockholders desiring to vote their stock at a stockholders' meeting must prove their ownership at least two business days prior to such meeting; that such ownership might be proved by presentation of the shares themselves, by a certificate of deposit of such shares in a bank established in Colombia, or by a notarial instrument; that a stockholder desiring to vote his stock by proxy might do so, but that the proxy, together with the stock certificates or proof of ownership thereof, must be exhibited to the company at least two days before the stockholders' meeting.

"Thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

[fol. 3111] "RESOLVED, that the President or any Vice-President of this Corporation be and he hereby is authorized and empowered, in the name and on behalf of this Corporation, to take all such action as he may deem necessary or appropriate in order to exercise or cause to be exercised the voting power of this Corporation with respect to shares of the capital stock of Sociedad Colombo Alemana de Transportes Aéreos, a Colombian corporation, acquired or to be acquired by this Corporation; and

"RESOLVED, that, without limiting the generality of the foregoing resolution, the President or any Vice-President of this Corporation be and he hereby is an-

authorized and empowered to cause certificates for any shares of the stock of said Sociedad Colombiana Alemana de Transportes Aereos acquired or to be acquired by this Corporation, to be deposited in a bank established in Colombia, and or to execute any declarations before notaries public, consuls or other officers, and to sign any letters, proxies or other documents which he may deem necessary or appropriate in order to exercise the voting power of this Corporation with respect to such shares.

"Upon motion, duly made and seconded, the following resolution was adopted:

"RESOLVED, that the proper officer or officers be and they hereby are authorized to cause to be prepared a form of stock certificate of this Corporation, with a design of vignette, and with a distinctive engraved border, and with engraved type, and upon the completion of such form to submit the same to this Board of Directors for consideration.

"There being no further business, upon motion, duly made, seconded and carried, the meeting thereupon
A D J O U R N E D

(Sd) H. Preston Morris
Secretary."

Minutes of Regular Meeting of Board of Directors
April 28, 1931

"Mr. Trippe thereupon reported to the meeting on the closing under the agreement between the Corporation and Dr. Peter von Bauer for the acquisition by this Corporation of certain shares of the capital stock of Sociedad Colombiana Alemana de Transportes Aereos (Scadta).

"Mr. Trippe also reported to the meeting on the proposed agreement between The Colombian Postal Administration for Air Mails and the United States Government relating to the exchange of international air mails."

Minutes of Special Meeting of Executive Committee
May 6, 1931

"Mr. Trippe reported on the following matters:

- "(b) Progress made in negotiations for airmail contract between The Colombian Air Mail Administration and the United States Government."

[fol. 3112]

● PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 300

Exhibit No. P-37

EXECUTIVE COMMITTEE
MARCH 16, 1937.

"The meeting thereupon took under consideration the matter of authorizing Pan American Grace Airways to operate on Buenos Aires Salta-Yacuibá route, including the report on negotiations between Pan American Airways and Pan American Grace Airways."

EXECUTIVE COMMITTEE
APRIL 21, 1937.

"Mr. Trippe reported to the meeting on the position of Pan American Airways and W. R. Grace & Co. in Colombia, and the complications likely to arise in connection with SCADTA and Pan American Grace operations, and on the current negotiations with representatives of W. R. Grace & Co. and discussions to date with such representatives. Mr. Trippe stated that he pointed out in such discussions that he felt there might be a material conflict in the future between SCADTA and Pan American Grace Airways if the officials of the Colombian Government should insist that SCADTA operate a commercial service to Quito, Ecuador, and that it is in the interest of American aviation and the United States Government, that American interests should hold an important position in SCADTA, and that this was particularly important because of the proximity of SCADTA operations in the Canal Zone; that Pan American Airways as a stockholder in SCADTA, was opposing this proposed extension to Quito, but that SCADTA might be

forced by pressure from the Colombian Government to make such extension of service, and that he felt the situation might be harmonized if Pan American Grace Airways became an equal owner with Pan American Airways of the stock of SCADTA; that Pan American had advised Pan American Grace Airways that if SCADTA should be required, against our desires as a stockholder, to operate a commercial service to Quito that we would agree to support SCADTA designating W. R. Grace & Co. as agent in Ecuador.

Mr. Trippe reported that representatives of W. R. Grace & Co. (Messrs. Reig and Garma) at a meeting last week stated that they did not look with favor upon Pan American Grace Airways acquiring a 50% interest in SCADTA or (regardless of whether Pan American Grace Airways purchases such stock) serving as agent for SCADTA in Ecuador in the event Pan American Grace Airways operated a commercial service to Quito.

Upon motion, duly made, seconded and carried, the officers were authorized and directed to offer to Pan American Grace Airways up to 50% of this Company's holding of stock in SCADTA at cost to this Company or, at the option [fol. 311B] of W. R. Grace & Co. (as one-half owner of Pan American Grace Airways) at a price to be arbitrated, and to advise W. R. Grace & Co. in this event that we would be agreeable to have as arbitrators an arbitration panel of the New York Bar Association or the American Arbitration Society."

EXECUTIVE COMMITTEE

APRIL 27, 1937

"The President thereupon reported to the meeting that a proposal had been submitted to the representatives of W. R. Grace & Co. on the Board of Directors of Pan American Grace Airways, for the sale to Pan American Grace Airways of one-half of the holdings of Pan American Airways in SCADTA at cost or a price to be arbitrated, but that such proposal had been refused by such representatives.

The meeting considered the proposal of W. R. Grace & Co.'s representative, on the Board of Directors of Pan American Grace Airways that fees be paid the nominated Directors representing W. R. Grace & Co. and Pan American Airways on the Board of Directors of Pan American Grace Airways; and that more frequent scheduled meetings of the Board of Directors of Pan American Grace Airways be provided for. The Committee felt that it would be unwise to provide for fees and more frequent meetings, and that this point of view be made known to the representatives of W. R. Grace & Co., with the suggestion that if they did not agree therewith the matter be referred back to this Committee at a future meeting.

BOARD OF DIRECTORS

MAY 7, 1937.

"Mr. Tripp reported to the meeting on Congressional action relative to a second East Coast trip to Rio and additional services between Rio, Sao Paulo, Asuncion and Buenos Aires, and on the West Coast between Arequipa, La Paz, Salta, Cordoba and Buenos Aires, and between Juneau and Whitehorse in Alaska."

The meeting granted authority to proceed with the organization of the Rio-Sao Paulo-Asuncion-Buenos Aires route by Pan American Airways, Inc. and of the Bella Horizonte and Sao Paulo route by Pan Am do Brasil, S. A."

[fol. 3114]

EXECUTIVE COMMITTEE

AUGUST 3, 1937.

"Mr. Tripp reported to the meeting on the following matters:

- (a) Accident to Pan American Grace Airways' plane near the Canal Zone on August 2, 1937."

"The President stated to the meeting that certain problems had arisen in connection with the ownership by the Corporation of a majority of the stock of S. A. de Colombia Alemana de Transportes Aereos, a Colombian corporation.

commonly known as "Sedtha". The Colombian government was anxious that Sedtha should extend its service to points in Ecuador. Such an extension would result in competition between the services of Sedtha and of Pan American Grace Airways, Inc. By continuing its control of Sedtha the Corporation was thus being placed in a position where any action that it might cause Sedtha to take or refrain from taking might be prejudicial either to the minority stockholders of Sedtha or to the associates of the Corporation in the ownership of Pan American Grace Airways. The President stated that there were other circumstances that made it seem desirable that control of Sedtha be placed ultimately in a group of native Colombians."

**BOARD OF DIRECTORS
AUGUST 31, 1937.**

"The President stated to the meeting that certain problems had arisen in connection with the ownership by the Corporation of a majority of the stock of Sociedad Colombiana Alemán de Transportes Aéreos, a Colombian corporation, commonly known as "Sedtha". The Colombian government was anxious that Sedtha should extend its service to points in Ecuador. Such an extension would result in competition between the services of Sedtha and of Pan American Grace Airways, Inc. By continuing its control of Sedtha the Corporation was thus being placed in a position where any action that it might cause Sedtha to take or refrain from taking might be prejudicial either to the minority stockholders of Sedtha or to the associates of the Corporation in the ownership of Pan American Grace Airways. The President stated that there were other circumstances that made it seem desirable that control of Sedtha be placed ultimately in a group of native Colombians."

[fol. 3115]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 301

Exhibit No. PA 1

CAB No. 3272

[Handwritten notation: 2 13 48]

PAN AMERICAN AIRWAYS, INC.
ACQUISITION OF PROPERTY AND CERTIFICATE
OF URBANA, MEDELLIN AND CENTRAL
AIRWAYS, INC.

BRIEF HISTORY OF THE OWNERSHIP AND
CONTROL OF UMCA BY PAN AMERICAN

UMCA (the abbreviation for Urbana, Medellin & Central Airways, Inc.) is a Delaware corporation which was organized by Pan American Airways Corporation and which has always been controlled by that corporation or by Pan American Airways, Inc., its subsidiary. UMCA was established as a separate corporate entity for the purpose of giving representation to a minority interest which arose out of the obtaining from the Colombian Government of the concession for the route which it has operated. That concession and the minority interest have now lapsed and accordingly there is no reason for UMCA's continued existence.

The following summary demonstrates that UMCA has always been primarily an instrumentality of Pan American.

A. Reason why Pan American organized UMCA.

When Pan American commenced operations in Latin America, it had to obtain for itself the operating concessions needed for operation through each country. It experienced particular difficulties in securing concessions from the Republic of Colombia where the local airline, [fol. 3116] SCADCO, had a virtual monopoly. This was a serious obstacle to Pan American's further expansion since Colombia was too large to cover with aircraft then available. One of the routes which Pan American was interested in was a route from the Canal Zone to Medellin and Bogota, both because of its immediate importance in the carriage of traffic into Colombia and because of its long range im-

V. 295

importance as the first sector of a short cut route across the heart of South America to Rio and Buenos Aires.

A prominent Colombian citizen, Mr. Gonzalo Mejia, was also trying to obtain a concession from the Colombian government. His efforts began late in 1929 and were centered upon obtaining a Turbo-Medellin exclusive concession. A concession for the route was signed by the Minister of War and Telegraphs in September 1930 after Mr. Mejia had made assurance that the backing of American aviation interests would be secured in establishing and operating the route and this was expressly provided for in the concession. The concession was formally and finally approved by the Colombian Legislature after several weeks of debate in January 1931 (see Ex. 4 of Docket 28-401 (B)-1).

Mr. Mejia commenced almost immediately thereafter discussions with Pan American looking toward implementation of the concession. After survey in May 1931 of the commercial and technical feasibility of establishing the route, Pan American decided that in view of the difficulty of securing other concessions from the Colombian Government (fol. 3117) the most practical approach was to assist Mr. Mejia to implement his concession.

Satisfactory arrangements could not be worked out with Mr. Mejia whereby Pan American could operate the route directly and it was decided to organize a separate corporation to be the assignee of the concession and to have the nominal responsibility for operating the route. Pan American organized UMCA, the name of which was suggested by Pan American's President Trippe, on August 24, 1931. The stock of UMCA was issued to Pan American and to Mr. Mejia, as more fully described in part B below. The Mejia concession was assigned to UMCA on September 19, 1931 and this assignment was approved by the Colombian Government under date of January 11, 1932 (see Ex. 4 in Docket 28-401 (B)-1). It may be noted that in the instrument of approval issued by the Colombian Government, UMCA was described as a subsidiary of Pan American and Pan American's successful operating experience was relied upon as satisfying the requirements of the concession. It also recites that Pan American made the route surveys and

studies required to demonstrate the route's feasibility for commercial airline operation.

Operations under this concession were commenced by UMCA on July 12, 1932. Operations pursuant thereto were conducted for a period of 15 years thereafter and the concession expired on July 12, 1947 and was not renewed. Shortly thereafter, as more fully described below, Mr. Mejia disposed of all of his interests in UMCA to Pan American. Accordingly none of the reasons which precluded establishment of UMCA have any further significance.

B. Ownership of UMCA stock.

UMCA's Certificate of Incorporation provided for issuance of two classes of stock, Preferred Stock with a par value per share of \$100, and Common Stock with no par value. There were issued 1,500 shares of Preferred Stock and 3,000 shares of Common Stock, with Pan American Airways Corporation acquiring all of the Preferred Stock and 1,500 shares of the Common Stock and the remaining 1,500 shares of Common Stock were issued to Mr. Mejia as consideration for assignment of the Colombian permit to UMCA. Since under the law of Delaware both the Preferred and Common Stock have equal voting rights, Pan American had from the outset two-thirds of the voting power and this was never relinquished.

Mr. Mejia subsequently transferred 500 shares of his Common Stock to a Colombian firm named Toro Hermanos which had assisted him in obtaining the concession. In 1934, Pan American acquired these 500 shares of stock from Toro Hermanos in exchange for 100 shares of Pan American stock. From 1934 until 1947 Pan American at all times owned all of the outstanding shares of Preferred Stock and 2,000 shares of the Common Stock of UMCA or 78% of the total voting power. The remaining 1,000 shares of Common Stock were at all times beneficially owned by Mr. Mejia but from Feb. 3, 1934 to Dec. 31, 1938 were under option to purchase by Pan American and were deposited in New York with an officer of Pan American, and even after expiration of the option the stock remained deposited with this officer.

[fol. 3119] On February 28, 1941 the shares of UMCA stock held by Pan American Airways Corporation were canceled and reissued in the name of Pan American Airways, Inc. after the necessary approval of the Civil Aeronautics Board had been secured for such transfer (*Pan American Airways, Inc., et al. Merger*, 2 CAB 502 (1940)).

On November 7, 1947 Pan American Airways, Inc. purchased the remaining 1,000 shares of Common Stock of UMCA owned by Mr. Mejia and since that date Pan American Airways, Inc. has been the sole and exclusive stockholder of UMCA.

C. *Directors of UMCA.*

As shown by the UMCA Certificate of Incorporation (Ex. 1 in Docket 28-401 (E7-1)), the original incorporators of UMCA were Evan E. Young, Alan F. Winslow and E. E. Wyman. All these gentlemen were officers or employees of Pan American.

The original Board of Directors consisted of J. H. Johnston, H. Preston Morris, Alan F. Winslow, E. E. Wyman, Evan E. Young, and Mr. Mejia. All of these gentlemen were officers or employees of Pan American with the exception of Mr. Mejia. At all times the majority of the directors of UMCA have been officers or employees of Pan American and while between 1931 and 1939 there were Colombian nationals other than Mr. Mejia on the Board of Directors, they seldom, if ever, attended any of the directors' meetings and took no active part in the affairs of the corporation. Since 1939 all of the directors of UMCA, with the exception of Mr. Mejia, have been officers or employees of Pan American and with the resignation of Mr. Mejia from the UMCA Board of Directors, effective July 31, 1947, [fol. 3120] all seats have been held by Pan American.

D. *Officers of UMCA.*

The original officers of UMCA were Alan F. Winslow, President, H. Preston Morris, Secretary, J. S. Woodbridge, Treasurer, and Mr. Mejia, Vice President in Charge of Commercial Operations in Colombia. The President of

UMCA has always been an officer or employee of Pan American and all other officers of UMCA, with the exception of Mr. Mejia, have been officers or employees of Pan American. Furthermore, the scope of Mr. Mejia's powers and responsibilities was at all times restricted by the resolution adopted at the first directors' meeting which provided that Mr. Mejia was to concern himself only with the commercial operations of the company within the Republic of Colombia, it being understood that all other aspects of the company's business would at all times be handled by other officers representing Pan American's interest in UMCA.

E. Flight equipment and crews of UMCA.

Only initially did UMCA own and directly operate aircraft. It soon was found expedient for UMCA to obtain all flying equipment by charter from the pool of aircraft maintained for the Latin American services of Pan American Airways, Inc. Charters were on an hourly basis and none of the Pan American markings were removed or obliterated when in the service of UMCA. UMCA never had any facilities for the maintenance and overhaul of aircraft and planes were either maintained at Pan American's Canal Zone maintenance base or were rotated between the route of UMCA and the routes of Pan American so that they could be serviced at Pan American's Brownsville or Miami bases. [fol. 312] Similarly, the flight crews who have operated the UMCA schedules have always been regular Pan American crews who initially worked the UMCA route on a loan basis and later on a rotational basis.

F. Ground facilities.

Pan American has always provided all ground facilities needed for the operation of UMCA in the Canal Zone and in Panama. During the early years UMCA operated its own facilities for aircraft dispatch, passenger handling, and sales at Medellin and Turbo. Pan American later arranged for a sharing of traffic, servicing, and communication facilities between UMCA and its affiliate Avianca at Medellin, while the Turbo station continued to be operated as an UMCA station with the limited amount of personnel

necessary carried on UMCA's payroll. Since June 3, 1944 Avianca has been responsible at Medellin for sale of all transportation over the lines of UMCA, receipt and dispatch of aircraft, cargo and passengers and related administrative matters.

G. *Employees of UMCA.*

The number of persons employed by UMCA has always been nominal since most functions of the company have been handled by Pan American or by its affiliated companies. This includes such matters as accounting, preparation, filing and publication of schedules and tariffs, engineering, communications and legal representation. Pan American has also assumed much of the administrative work and most matters relating to flight operations. All employees directly on the payroll of UMCA are regarded as employees of the Pan American Airways System and have [fol. 3122] the same privileges and benefits as other system employees.

H. *Pan American seeks transfer of a certificate which was in a large part initially its own.*

In the *Latin American Grandfather Certificate* case (2 CAB 111 (1940)), Pan American was issued a certificate of convenience and necessity to engage in air transportation between Cristobal and Turbo. Since this represented a duplication of the certificate which UMCA sought in its certificate proceeding (2 CAB 334), Pan American agreed to transfer its certificate to UMCA if the Board issued a Cristobal Balboa Turbo Medellin certificate to UMCA, and this was done. If this corporate transfer to a subsidiary had not been made, Pan American would now hold directly about 60% of the route mileage which it seeks to recover in this proceeding.

STATEMENT OF NEGOTIATIONS RELATING TO
AGREEMENTS BETWEEN NATIONAL, PAA,
PANAGRA, AND W. R. GRACE & CO.

I. *Summer of 1948.*

During the summer of 1948 (probably in August) Mr. Baker of National had one or two talks with Mr. Trippe as to the acquisition by PAA of a substantial amount of the stock of National. It is Mr. Baker's recollection that he took the initiative in seeking out Mr. Trippe. Most of the discussion related to Pan American's acquiring sufficient National stock so that Pan American would own something like eighty percent (80%) of the stock of National. Along with this would come agreements for the operation of PAA and Panagra equipment over National's routes. There was a good deal of discussion as to whether payment for the National stock should be made in cash or in Pan American stock, and, if the latter, whether the Pan American stock should be taken at its book value, at its market value or at some intermediate figure. There was also question as to how the National stock should be valued. In general, Mr. Baker's position was that the National stock should be taken at its book value plus an allowance for certain assets which he believes to be undervalued on National's balance sheet, whereas the Pan American stock should be taken at or below its market value. Mr. Trippe, on the other hand, favored a book value basis for both sides. No conclusions were reached as a result of these discussions.

II. *December, 1948 and January, 1949*

On December 15, 1948, Mr. Baker addressed a letter to Mr. Reig proposing an interchange of equipment between Panagra and National at Miami. (Exhibit NA 97, p. 1). A

[fol. 3124] copy of this letter was sent to Mr. Trippe. Similar letters were sent by Mr. Baker to several other airlines.

Mr. Roig discussed with the Pan American representatives on the Board of Panagra the response he proposed to make to Mr. Baker's letter to him. Mr. Roig's letter, dated January 6, is reproduced in Exhibit CON-20, p. 3. On January 5, Pan American made a response on its own account, referring Mr. Baker to the recommendation of the CAB Examiner that PAA be authorized to connect Miami with points in the Northeastern United States and emphasizing the Latin American points served by PAA itself through the Miami gateway for which through service was required.

Shortly after sending its letter of January 5, Pan American received Mr. Baker's telegram of that day reading:

"Morrison tells me that you are willing to discuss possibility of interchange agreement. When and where can we get together. Regards."

Mr. Trippe answered Mr. Baker's telegram as follows:

"Received your telegram after sending my letter January 5. Cannot believe that in view of our different routes radiating from Miami and other regions mere interchange agreement would in any way meet our problems. However, I am always glad to see you in New York for discussion any matters of mutual interest. Regards."

Mr. Baker's response to this telegram was a letter dated January 14, 1949, set forth in Exhibit CON-20, p. 6.

On January 17, 1949, Mr. Baker and Mr. Scott came to New York and met with Mr. Trippe at his home. This meeting was followed by two long conferences on the following day, January 18, one in the afternoon and another in the evening. These conferences were attended by Messrs. Trippe, Dean, Friendly, Baker, Scott, Thomas and Fell. Mr. Thomas is a Director of National and both he and Mr. Fell [fol. 3125] are partners in Lehman Bros. which acted as underwriters in the public offering of National's stock. The

discussions included the operation of through and shuttle flights over National's route by Panagra and PAA equipment, and the purchase of a 40% stock interest in National by PAA.

PAA's general position was as follows:

1. The need for through service between the Northeastern United States and Latin America by way of the Miami gateway was not limited to the points on Panagra's route (although it was clearly stated by PAA that any agreement must include an extension of the Panagra Through Flight Agreement, and that no agreement would be made by PAA without Panagra's consent), but included other areas in Latin America served by PAA. Such through service was required for the convenience of travelers and shippers, the development of traffic, and the meeting of foreign competition.

2. In addition to these through flights with Panagra and PAA equipment, PAA required, as a means of improving the economy of its operations, a facility for getting the planes based in New York to the Miami overland base without ferrying. This could not be done simply on international flights both because the number of such flights would not be sufficient (at least if Havana were excluded as a destination) and particularly if the AOA acquisition was approved and because the Boeing equipment was too large both trafficlewise and airportwise for operation on certain of the Latin American routes through Miami.

3. The Miami New York operation was such a vital part of Pan American's business from both a traffic and an operation standpoint that it could not rely on a mere contractual arrangement with National. Pan American (fol. 3126) can feel it should have a sufficient interest in National so that its views with respect to management problems, while not controlling, would be given very great weight.

4. PAA insisted also that it was entitled to have weight given to its position in its Domestic Route Case. Examiner Madden, the only disinterested person to review the question, had upheld PAA's position and had recommended that

PAA be certificated for operation over the New York-Miami route with a restriction confining such operation to flights "primarily providing international service." PAA took the position that in the long run it was not going to be blocked off at Miami from access to the true origin and destination of the bulk of the travel to Latin American and that if PAA was to make an agreement that would relieve National of PAA's competition between Miami and New York, it was fair that PAA should become a substantial owner in National. It emphasized also as a further reason for such stock participation that the Latin American traffic which would be handled by National under an interchange agreement would be largely traffic which had been developed by PAA through its advertising and sales efforts, both in Latin America and in the United States and that PAA was entitled to profit therefrom.

National's position on these subjects was substantially as follows:

1. Mr. Baker questioned the volume of through traffic between the Northeast and Latin America moving through Miami, other than the points on Panagra's route. If there was enough such traffic, he would be willing to leave through flights to handle it, but he was unwilling to make any commitment on the subject.

(Vol. 31274) 2. Mr. Baker welcomed the idea of shuttle flights between New York and Miami with PAA equipment, notably the Boeings, during the high traffic season, but was unwilling to make any commitment with respect to the off-season.

3. Mr. Baker did not specifically oppose the acquisition by PAA of stock in National up to say 40% of the total stock. However, he insisted that the National stock should be appraised at book value plus an allowance for items which he believed would increase the book value, while, if payment was made in Pan American stock, this should be taken at market value with a discount in the approximate amount of the underwriting commissions which Pan American would have to pay on the sale of so large a block.

The meeting broke up in a friendly spirit, Mr. Trippe and Mr. Baker both proceeding to Washington to attend the Presidential inauguration ceremonies, but without any agreement having been reached. In the light of this, it was felt necessary to reply to Mr. Baker's letter of January 14, 1949, since it was believed that all these letters would go into the record in Docket 3500. This was done in a letter dated January 25, 1949, pointing out the volume of traffic between the Northeastern United States and points in Latin America other than those on Panagra's route.

On January 21, 1949, Mr. Trippe had lunch with Mr. Peter Grace and advised Mr. Grace of the negotiations which had been had with Mr. Baker. This talk and a simultaneous meeting which Mr. Roig had with Mr. Baker in Washington, in which Mr. Baker informed Mr. Roig of the National PAA Negotiations, led to a meeting on Wednesday, January 26, 1949, between Messrs. Dean and Friendly on behalf of PAA and Messrs. Roig and Shea on behalf of W. R. Grace & Co. Mr. Roig began the meeting by stating that he felt that the delay in Pan American's Domestic Route Case arising from Docket 3500 called for the consideration of alternative methods of getting Panagra's through flight into New York. Dean and Friendly said that while they continued to believe that the acquisition of Miami-New York rights by PAA would be by far the most satisfactory method of solving PAA's and Panagra's problems, PAA likewise had recognized the desirability of exploring alternatives and, as Mr. Grace had been informed, had had talks with Baker which, if any progress had been made, would have been brought to Panagra for its consent. Mr. Roig approved the idea of negotiations with Baker but said he thought Panagra should have a seat at the table. Dean and Friendly said they could not see the merit of this position. Under the Through Flight Agreement, it was PAA's responsibility to do what it could to get the right to fly to New York. Once PAA had gotten such a route, Panagra would have had the right to have its airplanes flown over this route, but the entire financial interest in the route was to be that of PAA and not of Panagra. If developments had made it desirable to explore alternative

arrangements for getting the right to operate between Miami and New York, which Mr. Roig agreed was the case. PAA's obligation was to see that Panagra was protected to the same extent as Panagra would have been had PAA gotten the route in its own name, but there was no obligation to allow Panagra or Grace any ownership interest in respect of the route. Dean and Friendly assured Roig and Shea that in any future negotiations between PAA and Baker, they would continue to insist on the operation of Panagra's aircraft between Miami and New York being provided for. (fol. 3129) and also that PAA would not enter into any such arrangement with National except after fully advising Panagra and making sure that Panagra was satisfied, but they were unwilling to go beyond this.

On January 24 Mr. Trippe was in telephone contact with Mr. Baker and, with Mr. Baker's permission, with Mr. Scott. These telephone conversations led to Mr. Scott's letter of January 24, 1949 stating that he would recommend to the Board of Directors of National an arrangement under which Pan American would acquire 174,000 shares of National stock for cash at \$5.50 a share or a price equivalent to 90% of the average daily closing price of National stock from January 1, 1948 to the day preceding the date of delivery and payment, whichever was greater. National would also agree to sell additional stock to PAA sufficient so that PAA would own 45% of the total outstanding stock. In the case of this latter sale, the National stock was to be taken at book value plus upward adjustments and payment was to be made in cash or in PAA stock at 90% of its market value for 60 days prior to the date of delivery. This memorandum also called for interchange agreements "where the same shall be mutually advantageous," these to include Panagra, the leasing of flight equipment "where the same shall be mutually advantageous," and joint use of facilities "where the same shall be mutually advantageous." Mr. Trippe phoned Mr. Scott that this memorandum seemed to be a considerable advance toward an agreement and this in turn appears to have led to Mr. Baker's wire of January 26:

"Talked with Scott. Suggest you forward memorandum of your proposal for discussion with our Directors Monday."

Shortly after this Mr. Baker and Mr. Scott arrived in New York. During the morning of January 27 they met [fol. 3130] with Messrs. Grace, Roig and Shea. Baker outlined the course of the negotiations with PAA and stated he believed it would be advisable for Panagra or Grace to have a stock interest in National. He felt that a financial interest on the part of all companies to the proposed interchange was essential to make the interchange work effectively. Grace, Roig and Shea agreed that such financial participation was desirable and various proposals were discussed.

Mr. Baker and Mr. Scott met with Messrs. Trippe, Dean and Friendly on the afternoon of the same day. They stated that they had come from a meeting with W. R. Grace and Co. and indicated that they were no longer willing to go forward on the basis outlined in Mr. Scott's memorandum of January 24. Their proposal was that some 48% of National stock should be acquired but that this should be divided approximately half to Pan American and half to Panagra, or in the alternative, somewhat more than half to PAA and somewhat less than half to W. R. Grace & Co. The PAA representative said that this represented a complete change in the proposal, that they had no objection to W. R. Grace & Co. acquiring stock in National if such was desired, but that this should be over and above the 45% which it had been agreed PAA should have.

Late in the afternoon of January 27, Mr. Grace and Mr. Roig met with Messrs. Trippe, Dean and Friendly, who expressed the same view to them. The PAA representatives suggested that W. R. Grace & Co. acquire some 10% of National's stock, this to be outside the PAA 45%, but no understanding was reached. Trippe and Dean paid a brief visit to Baker and Scott at their hotel after this meeting.

Messrs. Trippe, Dean and Friendly met again with Messrs. Baker and Scott for lunch on the following day.

[fol. 3131] January 28. Baker declined to negotiate on the basis of PAA's acquiring a 45% stock interest and reverted to the formula of 48% with half going to Panagra or a small portion going to Grace. There was also more discussion about market price, book value, etc. The meeting broke up without any solution having been reached.

This was followed by more letters, namely, Mr. Baker's of February 10, Mr. Dean's of February 15, Mr. Baker's of February 24 and Mr. Dean's of February 28, as set forth in Exhibit No. CON-20, pages 9 through 12.

W. R. Grace & Co. were advised by both Mr. Baker and Mr. Friendly that the negotiations between PAA and National had broken off. In view of the importance which W. R. Grace & Co. attached to the development of an interchange for Panagra, the idea was developed that Grace might obtain an offer from National which would cover not only a stock interest for Grace and PAA, but also interchange agreements.

As a result of this decision by W. R. Grace & Co., a conference was arranged with Messrs. Baker and Scott who were in New York during the week of February 14. Several meetings were held, attended by Messrs. Baker, Scott, Roig and Shea. Considerable progress was made during these discussions which were aimed at reaching an understanding which could be presented to Pan American. No agreement was reached, however, and Messrs. Roig, Grace and Shea went to Miami on February 26 for a continuation of the talks. Following three days of negotiations, the National proposal of February 28 (Exhibit NAL 98) was developed.

This proposal was considered by the Directors of W. R. Grace & Co. and the decision reached to accept the stock purchase.

[fol. 3132] III. *March, 1949*

On March 2, the offer of stock of National was accepted by W. R. Grace & Co. (Exhibit No. CON-20, p. 22).

On the same day, Mr. Peter Grace called on Mr. Tripp and advised him of the execution of the agreement of February

ary 28, 1949 between W. R. Grace & Co. and National, and of Grace's exercise of its option to purchase 174,000 shares of National's stock at \$5.50 per share. The other terms of the agreement of February 28 were discussed briefly, and Mr. Trippe then stated to Mr. Grace that PAA would have to consider the situation thus created in the light of its own interests and the obligations of PAA and Grace under the Through Flight Agreement.

PAA decided that, before coming to any conclusion whether to endeavor to secure a modification of the February 28 agreement that would make this more acceptable from PAA's standpoint, the possibilities of an arrangement with Eastern should be fully explored and negotiations to that end were instituted.

Meanwhile, the month of March was passing. When PAA allowed the March 10 deadline to pass without taking any action, the Grace representatives indicated they would insist on the matter being considered by the Panagra Board prior to the Panagra deadline of March 30. A meeting was held about March 23 between Messrs. Dean, Friendly, Roig and Shea to discuss the matter. Dean and Friendly inquired, without commitment, whether there would be any interest on the part of National and Grace in [

the February 28 agreement in the following particulars:

1. The ratio of PAA's stock to Grace's stock should be 30:18, instead of 24:24;
2. PAA would have the right to acquire not merely the [60,315] higher priced stock as provided in the February 28 agreement, but 30 48ths of the 174,000 shares which Grace had bought at \$5.50;
3. The PAA-National interchange agreement should include, in addition to a through flight proceeding over one of PAA's international routes, twice daily shuttle flights between New York and Miami;
4. The term of the interchange agreements should be reduced from the 99 years provided in the Grace-National Agreement to July 1, 1953, subject to extension for seven

years, in the case of the PAA agreement if PAA exercised its option to purchase National stock, and in the case of the Panagra agreement if both PAA and Grace exercised their options. These options were to continue to July 1, 1953.

5. PAA was to have the right to pay for its optioned National stock in PAA stock at market value.

Mr. Roig characterized this as a constructive proposal and said they would talk about it with their associates and with National. Shortly after this, Messrs. Shea and Grace departed for Miami to negotiate with National. Commencing with the latter part of the week, there was a good deal of proposing and counter proposing as to various points.

A Directors' meeting of Panagra had been called for Tuesday, March 29. The parties were still apart on certain matters, such as who should have the right to determine whether Panagra would extend its interchange agreement, the length of the options, and National's demand that Pan American stock taken in payment for National stock should be valued 10% below market. However, after discussions on March 29, there appeared to be sufficient hope of reaching an agreement so that instead of holding the Directors' meeting, Trippe, Dean, Grace, Roig and Shea proceeded [fol. 3134] to Washington to meet with Baker, Cross, Friendly and Gesell. As a result of further negotiations, an agreement was signed early in the morning of March 30.

Subsequent to the execution of the March 30 agreement, counsel for the various parties set about the preparation of the detailed agreements to carry this out. A number of points of difficulty arose, such as the hours when schedules should be operated, the extent to which PAA and Panagra had the right to "put" schedules to National, the mechanics for making PAA stock available as payment of the purchase price in the event of the exercise of its option in a manner consistent with the provisions of the Securities Act, etc. After various meetings in New York, it was decided that the best way in which to bring matters to a conclusion was to have a general meeting in Miami. Accordingly, Messrs. Grace, Shea, Hayes, MacElwain, Dean and Friendly went to Miami early in May to meet with Messrs. Baker, Scott,

Cross and others representing National. As a result of three days work between May 5 and 7, substantially final drafts were prepared. These were taken to New York for printing and were executed on May 11.

[fol. 3135]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 303

[Stamp—Received by J. C. C.—Jun 19 1945—Illegible]

[Stamp—Research Department—Pan American Airways
—Chrysler Building]

[Stamp—Research Library—File Copy]

Orders

Serial Number 3728

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

At a session of the Civil Aeronautics Board
held at its office in Washington, D. C.
on the 5th day of June, 1945

Agreement C.A.B. No. 389

In the Matter of an agreement filed under
section 412(a) of the Act by and between

A. B. AEROTRANSPORT and certain other foreign
air carriers named therein

and

AMERICAN AIRLINES, INC., AMERICAN EXPORT AIRLINES, INC.,
BRANIFF AIRWAYS, INC., COLONIAL AIRLINES, INC., NORTH-
EAST AIRLINES, INC., NORTHWEST AIRLINES, INC., PAN
AMERICAN AIRWAYS, INC., PAN AMERICAN-GRACE AIR-
WAYS, INC., TRANSCONTINENTAL & WESTERN AIR LINES,
INC., UNITED AIR LINES, INC., WESTERN AIR LINES, INC.,
as active members

and

AERONAVIAS PARAGUAYAS, S. A., and certain other
foreign carriers named therein
and

ALL AMERICAN AVIATION, INC., DELTA AIR CORPORATION,
EASTERN AIR LINES, INC., NATIONAL AIRLINES, INC.,
PENNSYLVANIA-CENTRAL AIRLINES CORPORATION as asso-
ciate member,

relating to the Articles of Association of The International
Air Transport Association (IATA) adopted at Havana,
Cuba, April 19, 1945.

2. ORDER APPROVING AGREEMENT

Upon consideration of Agreement C.A.B. No. 389, be-
tween the above named carriers, filed pursuant to section
412(a) of the Act; and

The Board finding that said agreement is not adverse to
the public interest or in violation of the Act;

{fol. 3136} IT IS ORDERED That said agreement be and
the same is approved; *PROVIDED*, That the approval of
the Board herein of the Articles of Association of the Inter-
national Air Transport Association shall not be construed
to constitute Board approval or disapproval of any subse-
quent contract entered into, or any specific action taken
pursuant to said Articles of Association; *PROVIDED*
FURTHER, That this approval shall not be effective as
to any United States air carrier party thereto, and named
therein, until such air carrier has accepted the Articles of
Association and filed concurrence therein with the Board
as required by Section 251.1 of the Economic Regulations.

By the Civil Aeronautics Board:

/s/ FRED A. TOOMBS
Fred A. Toombs
Secretary

(SEAL)

[fol. 3137]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 304

Orders
Serial Number 4525UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.At a session of the Civil Aeronautics Board held
at its office in Washington, D. C.
on the 19th day of February, 1946.

Agreement C.A.B. No. 493

In the Matter of an Agreement Filed Under
Section 412(a) of the Act by and amongAMERICAN OVERSEAS AIRLINES, INC., TRANSCONTINENTAL, &
WESTERN AIR, INC. and certain other air carriers and
foreign air carriers named therein,relating to the establishment and conduct of regional traffic
conferences of the International Air Transport Association.

ORDER APPROVING AGREEMENT

There having been filed with the Board pursuant to section 412 of the Civil Aeronautics Act of 1938, as amended, by American Overseas Airlines, Inc., and Transcontinental & Western Air, Inc. a resolution of the International Air Transport Association entitled "Provisions for the Regulation and Conduct of Traffic Conferences of the International Air Transport Association," adopted by unanimous vote of the members of the International Air Transport Association present at a meeting on October 18, 1945, and the filing of such resolution having been concurred in by American Airlines, Inc.; Braniff Airways, Inc.; Colonial Airlines, Inc.; Northeast Airlines, Inc.; Northwest Airlines, Inc.; Pan American Airways, Inc.; Pan American-Grace Air-

[fol. 313] ways, Inc.; United Airlines, Inc.; and Western Air Lines, Inc.; and

The Board having, after consideration of the said Agreement and after hearing oral argument with respect thereto, issued its opinion containing its findings, conclusion and decision which is attached hereto and made a part hereof:

IT IS ORDERED That Agreement C.A.B. No. 493 be and it hereby is approved from the date hereof to and including February 28, 1947; *Provided*, however, that such approval is upon the following express conditions: (1) That it shall not constitute approval or disapproval of any action taken or agreement reached hereafter by any of the traffic conferences created and acting pursuant to said Agreement; (2) That it shall not constitute approval of participation by any United States air carrier in any traffic conference which reaches an agreement fixing rate or rates which are put into effect by such air carrier prior to submission to and approval by the Civil Aeronautics Board of such agreement; (3) That no agreement fixing a rate or rates for periods extending beyond the period of approval of Agreement C.A.B. No. 493 will be approved by the Board.

By the Civil Aeronautics Board:

/s/ FRED A. TOOMBS
Fred A. Toombs
Secretary

(SEAL)

[Stamp—Pan American Airways, Inc.—Legal Department
Files—Folder 2105.2]

[fol. 3139]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 305

Orders

Serial Number E 1227

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

[Handwritten notation—2105.2—F.J.C.]

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 20th day of February, 1948.

[Stamp—Received in the Office of Vice Pres. & Gen'l.
Counsel—Mar 8 1948—Referred to: H.J.F.—J.C.P.—
J.O.C.—F.J.C.—J.O.B.—J.H.H.—J.H.S.—J.A.M.—Files]

Agreement C.A.B. No. 493

as revised by

Agreement C.A.B. No. 1175

[Handwritten notation—See 1947 Folder for Extra Copy.
E706—Order Approving Agmt]

In the Matter of an Agreement filed pursuant to section
412(a) of the Civil Aeronautics Act by and among

AMERICAN OVERSEAS AIRLINES, INC.

and

CERTAIN OTHER AIR CARRIERS AND
FOREIGN AIR CARRIERS

relating to the establishment and conduct of Regional
Traffic Conferences of the International Air Transport
Association (IATA)

ORDER AMENDING ORDERS APPROVING AGREEMENT

The Board, by Order Serial No. 4525, dated February 19, 1946, having approved for a temporary period to and including February 28, 1947, subject to certain conditions set forth therein, an agreement by and among American Overseas Airlines, Inc. and certain other air carriers and foreign air carriers, as evidenced by Agreement C.A.B. No. 493, providing for the establishment and conduct of Regional Traffic Conferences of the International Air Transport Association (IATA); and

The Board, by Order Serial No. E-269, dated January 31, 1947, having extended its approval of Agreement C.A.B. No. 493 for a period of one year from and after February, 1947, to and including February 28, 1948, subject to certain conditions as set forth therein; and

[Vol. 3140] There having been filed with the Board a resolution of the Eighth Meeting of the Executive Committee of IATA, adopting revised rules for the regulation and conduct of the Traffic Conferences of IATA, evidenced by Agreement C.A.B. No. 1175; and the Board by Order Serial No. E-706, dated July 21, 1947, having approved Agreement C.A.B. No. 1175 from such date to and including February 28, 1948, subject to the conditions set forth therein, except that portion of Part IV of said agreement which contemplated that Traffic Conferences of IATA should make recommendations as to rates for the carriage of mail by foreign air carriers; and

The Board, upon reconsideration of Agreement C.A.B. No. 493, as revised by Agreement C.A.B. No. 1175, having issued its opinion containing its findings, conclusions and decision on such reconsideration which is attached hereto and made a part hereof; and

The Board, not finding that extension of its approval of Agreement C.A.B. No. 493, as revised by Agreement C.A.B. No. 1175, except such portion of Part IV thereof enumerated above, for a period not extending beyond February 28, 1950 would be adverse to the public interest or in violation of the Act:

IT IS ORDERED THAT:

1. Agreement C.A.B. No. 493, as revised by Agreement C.A.B. No. 1175, except that portion of Part IV thereof, enumerated above, be and it hereby is approved for a period not to extend beyond February 28, 1950;

2. The approval granted herein is on the following conditions:

(a) Such approval shall not constitute approval or disapproval of any action or agreement reached hereafter by any of the Traffic Conferences created and acting pursuant to said agreement;

[fol. 3141] (b) No agreement fixing a rate or rates for periods extending for more than one year or beyond the period of approval of Agreement C.A.B. No. 1175 will be approved by the Board;

(c) Such approval shall not constitute approval of the participation of any United States air carrier in any agreement establishing any rate or rates which shall be quoted or charged any nation for the transportation of mail.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 3142]

OPINION

BY THE BOARD:

On February 19, 1946, the Board approved, for a temporary period ended February 28, 1947, an agreement among certain air carriers and foreign air carriers relating to the establishment and conduct of regional traffic conferences of the International Air Transport Association

(IATA).¹ On January 31, 1947, the approval of this agreement was extended for an additional period ending February 28, 1948. Subsequently, a new agreement (C.A.B. No. 1175) was filed with the Board which effected certain changes in the organization of the traffic conferences and this agreement was also approved for a temporary period to and including February 28, 1948. We are now called upon to consider, under Section 412 of the Act, the extension of approval of Agreement C.A.B. No. 1175 beyond the latter date.²

During the past two years, the various traffic conferences of IATA have held twenty-three meetings and adopted several hundred resolutions which cover a wide range of matters, including rates, terms and conditions of carriage, reservations and booking procedures, relations between carriers and agents, and other cooperative working arrangements for the handling of traffic. In the non-rate field, [fol. 3143] the great majority of the resolutions so far considered by us reflect favorably upon IATA which has, in a relatively short time, succeeded in establishing procedures which will not only reduce operating problems of the individual carriers but which will directly benefit the public by facilitating the international movement of passengers and cargo. There appears to be no more effective way by which these desirable objectives could be accomplished than through the machinery of an organization such as IATA.

The principal issue in our consideration of the extension of the traffic conference machinery concerns, however, the

¹ Agreement C.A.B. 101, IATA Traffic Conference Resolution 4 C.A.B. 639. These conferences provide the machinery for consultation and agreement between United States air carriers and those of other nations with respect to rate and traffic matters in international air transportation.

² Order Serial No. E-269.

³ Order Serial No. E-706.

⁴ Under Section 412, the Board is required to disapprove any agreement filed thereunder which is found to be adverse to the public interest or in violation of the Act. To the extent that the Board approves an agreement, Section 414 of the Act relieves the parties from liability under the antitrust laws of the United States.

conferences' rate-making processes, particularly the character of economic data relied upon to support the individual rate resolutions concluded by them. In its initial approval of the conference method of rate-making, the Board set forth its understanding of the manner in which the individual Conferences would operate. Among other things it was pointed out that the Board's approval assumed "that after conference procedures have been complied with an open rate may, and indeed should, exist if the rate proposals advanced at any conference are unreasonable or economically unsound and are not properly related to the reasonably attainable costs of the air carriers."

The Board later disapproved rate resolutions of the first North Atlantic Traffic Conference, because of its failure to relate the rates specified therein to costs of operation, and stated its intention to require evidence that the Conference had acted in accordance with the basic tenets previously laid down. On this occasion we suggested that "it will be of great value if the Conference, in reaching rate agreements hereafter, will make a record of the data considered by it and of the considerations which resulted in its conclusion that the rates fixed by it meet the required standards of economic soundness, and will make that record available to the Board, and to the appropriate aeronautical agencies of other nations which may undertake to review the Conference action on rates."

Two years have elapsed since the initial Board approval of participation by United States carriers in rate-making by the Conference agreement method. On a number of occasions during these two years, Conference rate resolutions have been submitted to the Board for its approval. The Board, however, is without advice that IATA has yet established measures for obtaining and transmitting to the Board, either directly or through the United States members of IATA, data in support of the rate resolutions which can be regarded as satisfactory evidence of their economic

⁵ Agreements C.A.B. Nos. 541, 556, and 585 to 602, inclusive, Resolutions of North Atlantic Traffic Conference Relating to Rates and General Conditions of Carriage, 6 C.A.B. 845.

soundness, or that such data have been given adequate consideration by IATA in its rate determinations.

The Board is not insensitive to the organizational difficulties associated with the assembly of such data by IATA and by those IATA members whose international operations are in an early developmental stage. The Board has not yet, however, received information on the operating revenues, expenses, or traffic experienced by any except the United States parties to the IATA resolutions submitted to it for approval.

The minimum character of information the Board deems necessary to discharge its statutory obligations in connection with IATA rate resolutions is that which IATA members are already committed to furnish to the International Civil Aviation Organization, as provided for by the Air Transport Statistical Reporting Forms of that organization [fol. 3145], specifically, Table T2 (Traffic Summary) and Table F2 (Operating Statement). The Board will regard as reasonable cause for prompt disapproval of rate resolutions the failure to support such resolutions with this minimum of information covering the operations of the principal carrier participants in the rates included in the resolutions, for not less than the most current half year preceding the adoption of the resolutions. It is our opinion that neither the members of IATA nor the reviewing agencies of their respective governments can adequately appraise the economic soundness of rate resolutions except upon consideration of such minimum data.

While the development of cost data has so far not been satisfactory, we recognize, as above indicated, the difficulties which have attended the efforts of IATA and its members to obtain more adequate data during the past experimental period. We understand, too, that IATA is making serious efforts to effect improvements in this respect. For these reasons, and in view of the significant accomplishments of the traffic conferences in respect to non-rate matters, we will approve the continuance of the conference machinery for an additional trial period not to exceed two years, which period should afford ample opportunity for a more definite

evaluation of the conference method of rate-making than is possible on the basis of present experience. As pointed out in our initial approval of the IATA Traffic Conference machinery, however, we shall not approve any rate agreement hereafter submitted to us which does not include provision for termination within a reasonable time. Accordingly, we shall not approve an agreement fixing a rate or rates for periods extending for more than one year or beyond the period of approval of Agreement CAB No. 1175.

[fol. 3146] We do not find that an extension of our prior approval of Agreement CAB 1175 will be adverse to the public interest or in violation of the Act, and the agreement will, therefore, be approved for a period not to exceed two years from and after February 28, 1948. This approval will be subject to the conditions that it shall not constitute approval or disapproval of any action taken, or agreement reached, by any of the traffic conferences created and acting pursuant to said agreement, that no agreement fixing a rate or rates for periods extending for more than one year or beyond the period of approval of Agreement CAB No. 1175 will be approved by the Board, and that such approval shall not constitute approval of the participation of any United States air carrier in any agreement fixing a rate or rates which shall be quoted or charged any nation for the transportation of mail.

An appropriate order will be entered.

Ryan, Acting Chairman, Branch and Lee, Members of the Board, concurred in the above opinion.

[fol. 3147]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 306

Order No. E 9305

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D.C.
on the 15th day of June, 1955

Agreement CAB No. 1175, as amended

In the matter of an extension of approval of an agreement
filed pursuant to section 412(a) of the Civil Aeronautics
Act of 1938, as amended, between

PAN AMERICAN WORLD AIRWAYS, INC.

and

CERTAIN OTHER AIR CARRIERS

FOREIGN AIR CARRIERS AND OTHER CARRIERS

relating to the Regulation and Conduct of the Regional
Traffic Conferences of the International Air Transport As-
sociation (IATA).

ORDER

The Board, by Order No. 4525, dated February 19, 1946
approved until February 28, 1947, subject to certain con-
ditions, an agreement (CAB No. 493) between various air
carriers and foreign air carriers providing for the estab-
lishment, regulation and conduct of Regional Traffic Con-
ferences of IATA. This agreement was later revised
(CAB No. 1175) and subsequently approved by the Board
in 1947, 1948 and 1952 for varying periods ending June
30, 1955.

The Board, upon reconsideration of the resolution, finds:

1. That extension of its approval beyond June 30, 1955 would not be adverse to the public interest or in violation of the Civil Aeronautics Act;

2. That a continuation of the conditions to approval of the IATA machinery as set forth in Order No. E-6390 of May 1, 1952, as amended by Orders Nos. E-7407 of May 25, 1953 and E-8023 of January 7, 1954 is necessary to the exercise of the Board's responsibilities; and

3. That the review of future filings of IATA resolutions will be facilitated by the inclusion in this order of certain general conditions normally inserted in each individual order issued on conference resolutions;

Accordingly, IT IS ORDERED THAT Agreement CAB No. 1175, as amended, be and it hereby is approved beginning July 1, 1955, subject to the following conditions:

[fol. 3148] 1. That the air carriers members cause all documentary materials distributed by IATA or any subgroup thereof, to the members of IATA or any such subgroup, to be transmitted to the Board at the time such material is distributed to said members; provided that the Board may waive this requirement as to any such documentary material for such period as it deems proper;

2. That such approval shall not constitute approval of any agreement, action, or recommended practice of any of the traffic conferences created by and acting pursuant to the agreement;

3. That the air carrier members submit to the Board for appropriate action all recommended practices, agreements, and resolutions adopted by IATA and each of its conferences;

4. That such approval shall not constitute approval of participation of any United States air carrier in any traffic conference which reaches an agreement fixing rates, fares, or charges that are put into effect by such air carrier prior to submission to and approval by the Civil Aeronautics Board of each agreement;

5. That no agreement fixing rates, fares, or charges for periods longer than one year will be approved by the Board;

6. That such approval shall not constitute approval of the participation of any United States air carrier in any agreement establishing rates or charges which shall be quoted or charged any nation for the transportation of mail;

7. That with respect to the provisions of Section XII of the agreement entitled "Breaches of Conference Action":

(a) the United States carrier members of IATA shall notify the Board of any fine or penalty assessed against them, with a brief statement of the reasons therefor.

(b) each United States carrier member of IATA shall authorize and instruct the Director General to furnish to the Board, upon request, a record of the fines or penalties assessed against it under IATA enforcement procedures.

(c) the United States carrier members of IATA shall furnish the Board with a copy of the summary of cases heard, as mentioned in Paragraph 13 of the above-mentioned Section.

8. That approval of any agreement embodied in a resolution adopted by IATA or any of its Traffic Conferences pursuant to the conference machinery approved hereby shall be subject to the following general conditions:

[fol. 3149] (a) Approval of any resolution shall not be deemed approval of the application to such resolution of any other resolution except to the extent permitted by any approval of such other resolution;

(b) Approval of any effectiveness resolution is limited to the extent that it provides effective dates for other approved resolutions;

(c) Approval of any resolution shall be subject to the condition that air carrier members of IATA file with the Board, 5 days from the date the notices are received or sent, copies of all notices rescinding or amending any of the provisions or modifying the period of effectiveness of any resolution under the provisions of any resolution or

portion thereof which permits such rescission, amendment, or modification;

(d) Approval of any amending or revalidating resolution shall not affect the applicability of any condition previously appended to the approval of the resolution being amended or revalidated;

(e) Nothing in an order approving a resolution shall be construed as waiving any provision of the Board's Economic Regulations relating to the construction, publication and filing of tariffs, unless expressly so provided;

(f) Approval of any fare by an order approving a resolution is given on the understanding that the fare so approved is a minimum and does not include the assumption of so called passenger expenses at connecting points, except insofar as it is permitted under the terms of a valid resolution providing for such assumption of said passenger expenses.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[Ed. 3150]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 397

[Stamp—Library—Apr. 9 1959—Pan American World Airways]

Order No. 4-13631

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 19th day of March, 1959

Docket No. 10002
Agreement C.A.B. No. 12883,
R-1, R-3 through R-40

In the matter of an agreement adopted by the Traffic Con-
ferences of the International Air Transport Association
relating to fares

ORDER

There has been filed with the Board, pursuant to section 412(a) of the Federal Aviation Act of 1958 (the Act) and Part 261 of the Board's Economic Regulations, an agreement between various air carriers, foreign air carriers, and other carriers, embodied in the resolutions of the Traffic Conferences of the International Air Transport Association (IATA), adopted at the reconvened meetings held in Paris, France, during February 1959. The agreement has been assigned the above-designated C.A.B. Agreement number.

The agreement relates to basic fares and a limited number of special fares to be applicable for the year beginning April 1, 1959, in all areas other than transpacific routes and within the Far East where agreement had previously been reached at the Cannes meetings held during September-October 1958. Insofar as transportation to and from the

United States is concerned, increases in North Atlantic fares amounting to \$5, one-way, in the base New York-London fares for economy, tourist, and first-class services and \$15 in fares for deluxe class service are proposed, with corresponding increases on the Mid Atlantic route. First-class and tourist-class fares between the United States and points in the Caribbean and South America are maintained as currently effective.

The agreement further provides that jet services on the North and Mid Atlantic routes, and between certain specified points within the Western Hemisphere will be assessed a surcharge. On the transatlantic routes the proposed charge is \$15, one-way, on economy and tourist-class services, \$20 on first and deluxe-class services. Within the Western Hemisphere the surcharge is limited to the New York-Port of Spain-Caracas-Rio de Janeiro-Buenos Aires route, where it is expected that jet aircraft will be introduced during the period in question, and amounts to \$10, one way, except between New York, on the one hand, and Rio de Janeiro and Buenos Aires, on the other hand, where the charge is \$20. In both cases, the resolutions in question provide that, upon notice given by any carrier involved between September 1, 1959, and February 1, 1960, the surcharge will be inapplicable after February 29, 1960, one month prior to the intended expiration date of the basic fares.

In view of the fact that the agreement is to be effective for a limited period a year in which the major transition to jet operations should be accomplished, the present uncertainty as to the impact which jet services will have upon the industry, and the amounts of the proposed surcharges in relation to the basic fares to which they apply, the Board concludes that approval of the agreement would be consistent with the public interest. As we have previously pointed out, the Board presently has under study the entire question of pricing jet services. Accordingly, our action herein does not represent a final determination with respect to jet fares.

The Board would like to state once more its conviction that the future development of international air transporta-

tion will depend, in the last analysis, upon adequate availability of service priced at the lowest level economically feasible. This is particularly true with respect to the North Atlantic with its large tourist travel potential. To the extent that jet services prove themselves to be more efficient than operations with piston aircraft, as they show every likelihood of doing, we shall expect that the cost advantage accruing to the carriers be passed along to the passenger through reductions in fares, to the ultimate and mutual benefit of both the traveling public and the carriers.

The Board, acting pursuant to sections 102, 204(a), 412, and 414 of the Act, and subject to the general conditions set forth in Order No. E-9305, dated June 15, 1955, as amended by Orders Nos. E-10992 and E-12304, dated January 31, 1957, and March 31, 1958, respectively, makes the following findings:

1. The Board finds that the following resolutions do not affect air transportation within the meaning of the Act:

CAB No.	IATA No.	Title	Application
R-3	002b	Special TC2 Revalidation Resolution	2
R-4	003	Special TC2 Rescission Resolution	2
R-25	084b	Creative Fares	2
R-26	084f	Creative Fares, Persian Gulf India and Ceylon	2, 3
R-27	084g	Creative Fares Board Europe (expedited)	2
R-28	084g	Creative Fares Board Europe	2
R-33	203a	Reduced Fares for Cargo Agents	2
R-34	203b	Group Education Trips for Passenger Agents	2

2. The Board does not find the following resolutions to be adverse to the public interest or in violation of the Act:

CAB No.	IATA No.	Title	Application
R-1	001b	Special Effectiveness Resolution	1/2
R-5	023a	Rounding Off Passenger Fares	1, 1/2

CAB No.	IATA No.	Title	Application
R-6	051	Conference 1 First Class Fares	1
[fol. 3152]			
R-7	051a	Special Local Currency Fares and Rates	1
R-8	052	Conference 2 First Class Fares	2
R-11	054c	South Atlantic Normal First Class Fares	1 2
R-12	055	Joint Conference 2 3 First Class Fares	2 3
R-13	057	Joint Conference 123 First Class Fares	1 2 3
R-14	058	First Class Polar Fares	2 3, 1/2 3
R-15	061	Conference 1 Tourist Class Fares	1
R-16	062	Conference 2 Tourist Class Fares	2
R-17	064a	North Atlantic Tourist Class Fares	1 2
R-18	064b	Mid Atlantic Tourist Class Fares	1 2
R-19	064c	South Atlantic Tourist Class Fares	1 2
R-20	065	Joint Conference 2 3 Tourist Class Fares	2 3
R-21	067	Joint Conference 123 Tourist Class Fares	1 2 3
R-22	068	Tourist Class Polar Fares	2 3, 1/2 3
R-23	080	Excursion Fares	1
R-24	080f	Excursion Fares	1
R-29	090	Special Iraq-Persian Gulf-Europe Return Fares	2
R-30	100a	North Atlantic Tourist Type Service Economy Class	1/2
R-31	200	Free and Reduced Fare or Rate Transportation	1 2, 1/2 3
R-32	203	Reduced Fares for Passenger Agents	1 2, 1/2 3
R-35	204	Free or Reduced Fares for Tour Conductors	1 2, 1/2 3
[fol. 3153]			
R-36	205	Free or Reduced Fare Transportation for IATA General Sales Agents	1 2, 1/2 3

3. The Board does not find the following resolutions to be adverse to the public interest or in violation of the Act, provided that approval thereof be subject to the condition that copies of all notices received and sent pursuant to each of said resolutions be submitted to the Board at the time of their circulation to the Members:

C.A.B. No.	Item No.	Title	Application
R-9	054a	North Atlantic First Class Fares	1 1/2
R-10	054b	Mid Atlantic First Class Fares	1 1/2
R-37	251	Seating Surcharge Mid Atlantic	1 1/2
R-38	251a	Deluxe Class Surcharge (Deluxe Class Fares) North Atlantic	1 1/2
R-39	252	Jet Surcharge North and Mid Atlantic	1 1/2
R-40	254	Jet Surcharge Traffic Conference 1	1

Accordingly, IT IS ORDERED THAT:

1. The Board hereby disclaims jurisdiction with respect to that portion of Agreement C.A.B. No. 12883 listed in finding paragraph 1 above, provided that the Board may, at any time, reassert jurisdiction with respect thereto.

2. That portion of Agreement C.A.B. No. 12883 listed in finding paragraphs 2 and 3 above be, and it hereby is, approved, subject to the general conditions set forth in Order No. E-9305, dated June 15, 1955, as amended by Orders Nos. E-10292 and E-12304, dated January 24, 1957, and March 31, 1958, respectively, and to the specific condition set forth in finding paragraph 3 above.

3. Any air carrier party to the agreement, or any interested person, may, within 15 days from the date hereof, submit statements in writing containing reasons deemed appropriate together with supporting data, in support of or in opposition to the Board's approval herein. Such statements should conform to the general requirements of the Board's Rules of Practice in Economic Proceedings. The Board may, upon consideration of any such comments

3246

received, modify or rescind its approval by subsequent order.

By the Civil Aeronautics Board:

/s/ MABEL McCART
Mabel McCart
Acting Secretary

(SEAL)

[fol. 3154]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 308

C
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P
Y

CIVIL AERONAUTICS BOARD
Washington 25

May 4, 1951

Mr. J. T. Trippe, President
Pan American World Airways, Inc.
135 East 42nd Street
New York 17, New York

Dear Mr. Trippe:

On April 4, 1951, a meeting was held between the Board staff and the United States Members of IATA, in order to ascertain the positions of the carriers with respect to agreements to be reached at IATA Traffic Conference Meetings beginning May 8, in Bermuda.

The Board has carefully considered the position of the carriers, the data bearing upon those positions, and their relationship both to the sound economic development of international air transportation and the level of mail pay requirements. Keeping in mind the objective of building a rate structure which will contribute most substantially to a prosperous industry through the broadening of the Air traffic base and the maximizing of carrier revenues, the

Board offers the following as its suggestions for the guidance of the U. S. flag carriers in the forthcoming IATA discussions. However, the Board recognizes that differences of opinion exist among the various international carriers, particularly with reference to tourist and special fares, and that therefore U. S. flag carriers must have some freedom of action in negotiating the various issues.

With respect to the North Atlantic structure, the Board believes that recognition should now be given to the ever-increasing demand for low cost transportation. In order to satisfy this demand and at the same time protect and improve the economic position of the trans-Atlantic carriers, the Board recommends the adoption, on an experimental basis, of a two-class fare structure consisting of the following:

- A. An all-year standard fare of \$395 one way and \$711 round trip, representing a \$20 increase over the present base level to London, with comparable increases to all other European gateways;
- B. An all-year tourist service having the following conditions:
 - (1) A minimum tourist fare of \$225 one way and \$405 round trip to London with comparable fares to other European gateways, related to use of aircraft having effective seat densities (i.e., seats actually available for sale over the critical segment), as follows:

[fol. 2155]

(a) DC 4	60 seats
(b) Constellation and DC 6	65 seats
(c) Boeing 377	100 seats

If agreement can be reached only upon the basis of decreasing the seat densities given above, proportionate increases in the suggested fare should be made.

- (2) Tourist service to be limited to one fifth the number of seats available in scheduled service during corresponding months of 1950, as reported to IATA, the AOA allocation to be split equally

between the two American carriers, with a minimum allocation of one round trip per week to each participating IATA carrier.

(3) No extra sections.

(4) No meal service except at compensatory charges and minimum passenger service.

The Board favors, as additional features of this structure, a sleeper surcharge of \$50 single and \$75 double and a sleeperette surcharge of \$14 or more. It is believed that while these levels do not compensate fully for the sacrifice of revenue capacity, they do more in this direction than is presently true, and lessen the competitive pressure to install uneconomic configurations.

The adoption of this rate structure would contemplate the elimination of fare and one-third, fare and one-tenth, and combination on off season round trip fares. It should be noted in this connection that the Board cannot find convincing evidence that the experience with these fare levels has been of economic benefit to the industry. The Board also regards the proposals for a 30 day round trip fare and one-half, for the period November through March, and the TWA student fare proposal as superfluous if the above two-class fare structure on a year round basis is adopted.

Finally, the Board would favor an "escape" clause.

The Board has reconsidered its previous position with respect to tourist service for the on season of 1951 and now recommends the adoption of such a service for the 1951 on-season. If the carriers can agree on tourist service for this season, they are requested to expedite submission of the agreement to the Board so that it could be made effective at the earliest feasible date.

In connection with the position of Northwest that the introduction of Atlantic tourist fares would undercut westabout levels, the Board would favor a modification of IATA agreements so as to prevent the equalization of first class fares to the Orient westabout with eastabout fare constructions [fol. 3156] involving Atlantic tourist levels, but which will

permit westabout equalization with such fares for westabout travel, using domestic coach to the Pacific Gateway.

If the tourist service is not adopted, the Board would favor the following structure:

- A. An all-year standard fare of \$395 one way and \$711 round-trip to London, with comparable fares to other European gateways;
- B. A 30 day off season round trip fare at a level of one and one half that of the normal one way fare as the only reduced fare;
- C. A shortening of the off season to the period November through March;
- D. Sleeper and sleeperette surcharges as indicated above; and
- E. An "escape" clause.

With respect to North Atlantic cargo rates the Board favors an increase of 10 percent as consistent with increasing cost levels and as instrumental in easing westabout competition. It would not favor the PAA proposal for additional weight breakpoint, since the Board believes that this would unnecessarily depress the rate structure. However, the Board would be willing to approve a 34 cent per ton-mile rate for general commodity shipments of 1,000 pounds and over which would equate the competitive position of the IATA carriers with the irregulars for bulk carriage.

With respect to the Middle Atlantic levels, the Board favors raising these levels to a point which will eliminate absorption requirements on competitive routings via the North Atlantic.

With respect to Conference I rates, the Board would favor closing all rates provided the following conditions are met:

- A. Establishment of equitable selling and remittance rates in a rightly drawn currency agreement;
- B. Adoption, in general, of present first class and tourist levels;

- C. Raising of BWIA rates to IATA levels or admission of that carrier as a member;
- D. Elimination of the 5 percent differential being maintained by BOAC on first class service on combinations of Miami with Panama Lima Santiago;
- E. Adoption of a 30-day "escape" clause.

[fol. 3157] With respect to the Trans-Pacific area, the Board believes that the static condition of overall Trans-Pacific traffic, the emergency existing in the area, the relatively ineffective sea carrier competition, and the higher costs reported by the carriers warrant an increase of fares on Australasian routes up to pre Mexico City levels. However, the Board would favor maintaining present levels to Asiatic points where sea carrier competition is more effective.

With respect to Trans-Pacific cargo rates, the Board favors raising the rates to and from New York by 30 cents and the elimination of present common-rating except with respect to West Coast terminals. If this course cannot be effected because of lack of adequate increase in the east-about, it is recommended that the carriers common-rate only New York in addition to East Coast terminals and add rates from interior United States points over the lowest-rated gateway.

With respect to the sterling areas, the Board agrees with the carrier positions with respect to a 10 percent increase in fare and rate levels on the short haul and 15 percent on the long haul. The Board believes such increases consistent with reported increases in cost.

With respect to cargo rates on the London-Hong Kong combination, the Board recommends an increase of 30 cents a pound, if the 10 percent North Atlantic increase is not adopted; a 20-cent increase if it is.

The Board also suggests that authority be secured for westabout equalization of London-Auckland general commodity levels.

With respect to charter service, the Board believes, as it has previously indicated, that is essential to the orderly development of that service that the carriers sponsor the adoption of IATA resolutions fixing minimum rates for trans-Atlantic charter service for the transportation of passengers. The Board also favors small increases in present rates. In this connection, the minimum levels probably should not be less than the following rates per mile for the types of aircraft indicated.

	Fulk Load of Passengers	Ferry, Full Flight
DC-4	\$1.75	\$1.50
DC-6 or Constellation	2.40	2.00
Boeing Stratocruiser	3.50	3.00

Finally, the Board believes that the U. S. flag carriers should sponsor the adoption of IATA resolutions to establish limitations on charter service comparable with those contained in Part 207 of the Board's Economic Regulations. The Board further believes that the IATA carriers should take primary responsibility to enforce compliance therewith.

Sincerely yours,

D. W. Rentzel
Chairman

[fol. 3158]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 309

CIVIL AERONAUTICS BOARD

Washington 25

C
O
P
Y

November 9, 1951

Mr. J. T. Trippe
President
Pan American World Airways, Inc.
135 East 42nd Street
New York 17, New York

Dear Mr. Trippe:

On November 9, the Board sent you a statement of its position regarding the issues expected to arise at the Nice meetings of the IATA rate conferences.

In view of the great importance of the specific North Atlantic issues and the extended controversy that these have engendered in the past, The Board deems it of the highest importance that the two United States carriers primarily involved in this area work closely together to obtain conference agreement on these issues.

Only through the closest cooperation between the United States carriers will it be possible to successfully achieve the necessary support for the United States position, as stated in the Board's letter of November 9.

Sincerely yours,

/s/ DONALD W. NYROP
Chairman

[Vol. 3159]

CIVIL AERONAUTICS BOARD

Washington 25

C
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Y

November 9, 1951

Mr. J. T. Trippe

President

Pan American World Airways, Inc.

135 East 42nd Street

New York 17, New York

Dear Mr. Trippe:

On November 6, 1951, a meeting was held between the Board's staff and United States members of IATA in order to ascertain the position of the carriers with respect to agreements to be reached at the IATA Traffic Conference meetings beginning November 27, in Nice, France.

The Board's firm position with respect to the various items, which will be considered by the Conference is as follows:

North Atlantic tourist service:

1. The North Atlantic tourist service should be inaugurated prior to the 1952 summer season.
2. A New York-London one-way tourist fare of \$265, with a 10 percent "on" season discount and a 25 percent "off" season discount for round trips, with Shannon as the gateway, is a sound fare structure. This fare structure will meet the break-even need and provide a reasonable element of profit for coach operations, on the basis of the representative costs of the IATA carriers (190 kilos per passenger) and an estimated year-round load factor of approximately 68 percent. The higher "off" season discount will, in the Board's opinion, tend to offset normal seasonal imbalance and facilitate attainment of the average load factor.

The proposed fare structure is therefore economically feasible, but at the same time low enough to provide for an adequate test of the untapped low-fare air traffic potential across the North Atlantic.

3. Tourist operations across the North Atlantic should be based upon the highest practical seating density from an operational standpoint.

[fol. 3160] 4. Meal service should be provided only on a compensatory basis, with minimum galley facilities which will not require significant displacement of seats or lift.

Fare and one-tenth for the winter season of 1952:

The Board believes that the economic soundness of the 17-day one and one-tenth round trip excursion fare is open to question. However, the Board recognizes that such a fare may serve some purpose as an interim measure pending inauguration of tourist service in the spring of 1952. Accordingly, the Board will not oppose a one and one-tenth 17-day excursion fare for the 1952 winter season, provided that the tourist service is inaugurated in the spring of 1952.

North Atlantic rates and fares—standard fares and freight rates:

The Board is in agreement with the general North Atlantic fare and rate levels adopted at Bermuda with these exceptions:

1. *Off-season and excursion rates:* With the adoption of a year-round low fare tourist service (North Atlantic tourist services, *supra*) the Board can find no justification for and will not approve the continuance of "off" season and short limit excursion fares on the standard service.
2. *Sleeper charge:* The Board reaffirms its previous position that the minimum sleeper charge for a single berth should be \$50, and for a double berth \$75.

The Board recognizes that the configuration of the Boeing 377 permits the addition of sleeper accommodations without the displacement of passengers, while the addition of sleeper service on other types of aircraft results in a loss of approximately 50 percent of the seating capacity. The advantages of the Boeing configuration, however, are more than offset by its high seat-mile operating cost. Therefore, the Board believes that it is not justifiable to establish a sleeper charge based upon cabin configuration without due consideration being given to these higher operating costs.

3. *Sleeperette charges:* The Board reaffirms its position that a sleeperette charge of at least \$14 should be made.

The use of sleeperettes on aircraft flying the North Atlantic reduces the seating capacity of the aircraft approximately 25 percent or more and necessarily results in higher costs. Although a charge fully reflecting this increase would be so high as to be impracticable, some reasonable charge should be made to recover some of the costs and reduce the competitive pressure to extend this uneconomic type of service. A charge of \$14 appears to be a minimum charge for this purpose.

Rates and Fares in areas other than North Atlantic:

The Board generally favors retention of the present rate structure in all other areas, except as indicated below. The Board is especially concerned that no change be made at this time in the rate structure in the Pacific and South and Middle Atlantic areas because of the anticipated possible effect of inauguration of a North Atlantic tourist service. It is recognized that this service may ultimately require some adjustment of the fare structure in the areas mentioned, but it is believed that a considerable period will elapse before this is true. Accordingly, it is believed that action at the Nice meeting should be confined to providing means for modification of the rate structure in these areas if and when it becomes evident that the North Atlantic tourist service is, in fact, substantially affecting services in these areas.

Sleeper charges: The Board believes, as in the case of the North Atlantic, that present sleeper charges in all other areas are lower than can reasonably be justified in view of the loss of seating capacity involved and should be substantially increased.

National, resident and regional carrier fares:

In view of the tendency to expand the application of special fares for nationals or residents of particular countries evidenced at the Bermuda meeting, the Board desires to reaffirm its previously stated position that such fares are unjustly discriminatory and inimical to a sound rate structure and that it will not be able to approve any new fares of this type.

The Board is even more concerned about the beginnings of a trend toward special fares for carriers of a particular country or region (regional carriers) first evidenced in the Conference resolutions at and just prior to Bermuda. This is a type of discriminatory rate-making which the Board can, under no circumstances, approve.

Special problems:

At the meeting with the carriers, clarification of the Board's position with respect to two points was requested.

[fol. 3162] 1. *With respect to freight rates from the Orient over the Pacific to North American points:*

The Board is of the opinion that the conditions imposed by Order Serial No. E-5754 on its approval of resolution JT31 (S) 056, Normal Pacific Fares and Rates, with respect to freight rates, to and from the Orient are proper even though they may, in some cases, require a departure from the so called "intermediate rule". Such departures may be justified on the basis of competitive considerations. The Board further believes that any new agreement in this area should follow the principles embodied in the above-mentioned conditions.

2. *With respect to "off" season fares, India, Pakistan, Ceylon, and Europe:* By Order Serial No. E-5754.

The Board disapproved paragraphs (c) and (d) of the Bermuda Resolution JT23 (S) 161(c) dealing with the above-indicated subject. Paragraphs (c) and (d) contained provisions limiting the fares to permanent residents of or persons engaged in business in particular countries. It was our intention to disapprove these paragraphs only insofar as they provided for this type of discriminatory fare. We see nothing objectionable in the other limitation in paragraph (c) as to the countries in which tickets may be sold.

Sincerely yours,

/s/ DONALD W. NABOR
Chairman

[fol. 3163]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 310

CIVIL AERONAUTICS BOARD
WASHINGTON 25

April 30, 1952

Mr. J. T. Trippe
President
Pan American World Airways, Inc.
135 East 42nd Street
New York 17, New York

Dear Mr. Trippe:

On April 11, 1952, a meeting was held between the Board's staff and the United States members of IATA, in order to ascertain the carriers' respective positions on agreements to be sought at IATA Traffic Conference meetings, beginning May 13, in Buenos Aires.

The Board's views on the principal issues to be considered at the Buenos Aires meetings are set forth in the attached statement.

Sincerely yours,

/s/ OSWALD RYAN
Oswald Ryan
Acting Chairman

Attachment

[fol. 3164]

Board views on issues to be considered at
Buenos Aires meeting of IATA Traffic Conference

Sleeper and Sleeperette Surcharges

The dependence of the American Flag carriers on government subsidy makes it imperative that they exert every effort through the adoption of economic rate patterns to reduce the cost of their operations to the Treasury. The current level of sleeper surcharges in all areas and the general failure to assess any surcharge for sleeperette service despite the resulting decrease in capacity are outstanding examples of uneconomic rate policy which it is the duty of every American Flag carrier to exert its utmost efforts to correct. Except for operators of the basically high cost B-377 or a few operators on extremely thin routes, the provision of sleeper service results in the loss of revenue capacity which is not at all compensated for by the nominal charges now in effect. The substantial spread between tourist and standard fares increases demand for berths at a nominal \$25 charge with resulting further loss of capacity and revenue. Until it is technologically possible to supply sleeper and sleeperette service without loss of capacity, rates for these services should be set high enough to discourage a high demand therefor and insure that the surcharge revenue more nearly meets the real costs of the service. At a minimum, sleeper charges should be increased to at least \$50 for single and \$75 for double occupancy and a charge of at least \$14 should be made for sleeperettes.

[fol. 3165] *National and Resident Fares*

The Board reaffirms its previous position that discriminatory fares for nationals or residents of certain countries are undesirable and should be eliminated as rapidly as possible. The Board has approved some fares of this type because of the hardships which might have resulted if it insisted on maintaining an inflexible position on this question. However, the carrier members of IATA must adopt a more equitable solution to the problems raised by

currency devaluations and depressed economic conditions. Furthermore, the possibility of an early introduction of coach service in Europe should obviate the necessity for most of these inequitable fare arrangements.

Class-B and Regional Fares

The Board is concerned with the rapid extension of the so-called Class B fares and fares favoring regional carriers. While recognizing that in certain situations there may be a basis for a fare differential related to differences in equipment, it would appear that to an increasing extent the Class-B fares are being used to give an improper advantage to the local carrier as compared to the long haul trunk carriers. When so used the Class B fares are open to the same objections as the special regional fares for local operators which the Board has previously rejected.

Permitting fare differentials over the same route on the basis of the carrier supplying the transportation is [fol. 3166] contrary to sound transportation practices, and the Board believes the American carriers should oppose extension or continuation of this type of discriminatory fare except insofar as clearly justified by equipment differences.

Free and Reduced Transportation

The sound economic development of an international air transport system requires that the giving of free and reduced rate transportation to particular persons or groups should be held to a minimum. It is the Board's opinion that it would not be desirable to broaden the scope of free and reduced rate transportation now authorized by IATA agreements. Specifically, the Board opposes the extension of gratuitous transportation for public relations purposes or free transportation based on the so-called "principal's privilege".

The present resolution with respect to free and reduced rates for IATA sales agents does not limit the total number of carriers from which a given agent may receive such transportation. Since there are nine carriers operating

across the Atlantic for example, an agent could conceivably receive as many as 18 free transatlantic trips a year. It would appear highly desirable through the medium of the IATA Secretariat, or otherwise, to arrange for allocating this type of transportation so as to effectively limit the total amount of free and reduced rate transportation available to sales agents for educational purposes to a reasonable total in any given period. It would not appear objectionable to allow general agents the same free and reduced transportation privileges as are allowed IATA sales agents.

[fol. 3167] The tour conductor resolution also appears to be too loosely drawn to permit effective policing to insure that the privileges thereunder are restricted to *bona fide* tour conductors. Unless effective steps are taken to counteract the abuses which appear to be developing under both the sales agent and tour conductor resolutions, the Board may find it necessary to reconsider its approval of these resolutions.

Charter Operations

The present IATA charter resolution does not provide effective control over the charter operations of the IATA carriers. The Board believes it would be highly desirable to modify this resolution along the lines of the Board's charter regulations, Part 207 of the Economic Regulations, adopted March 26, 1951. Since these regulations were submitted to most interested governments before their promulgation and were favorably received by them, an IATA resolution along the same lines would appear to be feasible. In addition, every effort should be made to agree on minimum charter rates, at least to and from the United States. However, in case of such a limited rate agreement adequate provisions against evasion by the use of separate charters beyond the European gateways should be incorporated in the resolution.

Frills and "Give-Aways"

It appears that the competition with respect to "give-aways" and reduction of seats on de luxe flights is rapidly

[fol. 3168] reaching a stage where it may have serious economic consequences. The Board would favor a resolution restricting the value of "give-aways" on de luxe flights to the surcharge paid by the passenger, and strongly urges serious consideration of means of restricting the competitive reduction of seating densities.

Fare and Rate Levels

With respect to fares and rates in general the Board, with the exceptions indicated hereinafter, has no special comments to make, except to state that any changes in the general fare structure contemplated by the carriers should be adequately supported by pertinent financial and traffic data.

North Atlantic

The Board favors a substantial reduction in the number of specific commodity rates across the North Atlantic, a major part of which, according to available information, seem to be of little or no use. Furthermore, due to the fact that the specific commodity rates have more weightbreaks than the general commodity rates, and since it is understood that a large portion of the North Atlantic cargo traffic moves at such rates, there seems to be no need at the present for further weightbreaks in the general commodity rate structure.

Conference 1

With respect to the fares in Conference 1, the Board wishes to express its concern over the extremely low yield for the carriers operating in South America. In that connection the Board would favor the elimination of a [fol. 3169] substantial number of the so-called creative or excursion fares. There is no economic justification for the existence of year-round excursion fares which ultimately result in the destruction of the existing standard fare structure to the detriment of the carriers' already low revenues. Furthermore, it would seem imperative that the carriers agree on the adoption of some kind of circuitry limitation within Conference 1. If this cannot be accom-

plished at this Conference, a working group to formulate recommendations on this point should be set up at this time. Similarly, steps should be taken to provide an adequate definition of tourist service in Conference 1.

Mid-Atlantic

With respect to the fare level in the Mid-Atlantic it is hoped that the IATA carriers will agree to raising the fares in that area to a more economically sound level for the benefit of both the Mid-Atlantic operators and the North Atlantic carriers competing with such services.

Pacific

While the probability of the establishment of a tourist class service across the Pacific is slight at the forthcoming Conference, the Board wishes to emphasize that present data do not seem to support the creation of such a service. Therefore, the inauguration of transpacific tourist class operations will not be approved except upon a convincing showing by its proponents that such a service is operationally and economically feasible.

[fol.3170] *Procedural Matters*

Uniform Effectiveness Dates of Resolutions

The Board has noted that the carriers often submit to the Board resolutions with varying effectiveness dates, resulting in a reduction of the time provided for government action. This only adds to the Board's burden in trying to pass upon these resolutions with the least delay possible. When such variances are necessary, it would seem that the carriers should reduce the time allowed IATA for the promulgation of such agreements rather than to shorten the customary 45-day period provided to the governments.

Summary and Analysis of Resolutions

Paragraph 367 on page 71 of the Minutes of the Nice meeting of the IATA Conferences in December 1951, provides that the IATA Secretariat shall prepare after each

meeting a Post-Conference Resolution Analysis which is to include a brief general summary of the work accomplished at the meeting, an analysis of the new resolutions and the changes to any existing resolution. Should this summary be available at the time of the filing of the Conference Resolutions with the Board, it is requested that the United States carrier members of IATA arrange for the Board to receive copies of this summary at that time. However, in the event that this document should not be available at that time, the Board requests the United States carriers to prepare such an analysis for its use and to submit it to the Board together with the resolutions adopted at Buenos Aires.

[fol. 3171]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 311

COPY

CIVIL AERONAUTICS BOARD

Washington 25

Mr. J. T. Trippe

President

Pan American World Airways, Inc.

135 East 42nd Street

New York 17, New York

Dear Mr. Trippe:

On September 29, 1952, a meeting was held between the Board's staff and the United States members of IATA, in order to ascertain the carriers' respective positions on agreements to be sought at IATA Traffic Conference meetings, beginning October 21, in Cannes, France.

The Board's views on the principal issues to be considered at the Cannes meeting follow:

1. *Sleeper and Sleeperette Charges*: For the reasons it has previously set forth at length, the Board believes that every effort should be made to secure agreement on sleeper charges of at least \$50 for

single occupancy, \$75 for double and a minimum sleeperette charge of \$14. The Board does not consider the increase in sleeper charges to \$35 voted at the Buenos Aires meeting to be an adequate solution to the problem of uneconomic sleeper charges.

II. *Free and Reduced Fare Transportation*: The Board believes that the extension of free and reduced fare transportation is inimical to the sound development of air transportation, and specifically that such special privileges should not be provided for public relations purposes or on the basis of principal's privilege. As previously noted, the tour conductor resolution is so loosely drawn as to defeat adequate policing, and unless steps are taken to counteract the abuses developing thereunder, the Board's approval thereof may be withdrawn.

III. *Overnight and Connecting Expenses*: Resolutions 102 and 102a permitting the carriers to assume certain overnight and connecting expenses are so loosely drawn as to invite uneconomic competition between carriers. These resolutions should be tightened up with special attention given to sharply restricting or eliminating the payment of cash to passengers for such expenses, a provision which encourages illegal rebating.

[fol. 3172] IV. *National and Resident Fares*: The Board is unequivocally opposed to this type of fare and believes the American Flag carriers should exert every effort to insure that this discriminatory type of fare is not embodied in IATA resolutions.

V. *Regional Fares*: Permitting fare differentials over the same route on the basis of the carrier supplying the transportation is contrary to sound transportation practices and, if permitted, will eventually destroy the entire IATA fare structure. The Board cannot approve fare resolutions permitting this type of regional fare differential and believes that the American Flag carriers not only should oppose any attempt to introduce this type of discrimination into

IATA resolutions, but also should use their best efforts to have IATA take a firm position against the imposition of such fares by unilateral action of governments.

VI. *Passenger Fare Construction Resolution:* In the Board's opinion, the recent extension of the exemption from the 15% circuitry limitation to fares in Joint Conferences 1-2, and 1-2-3 was a backward step in the development of a sound fare structure. Not only should the exemption for Joint Conferences 1-2 and 1-2-3 be reconsidered, but a serious attempt should be made to develop reasonable circuitry limitations in Conference 1.

VII. *Agency:* The Board wishes to point out that its approval of the resolution providing for a 6% commission for travel agents for the sale of tourist class transportation was only on a temporary basis, and that it will not approve any extension of this resolution or the adoption of any new resolution providing different commission rates for the sale of tourist service and first class service, in the absence of a convincing showing that there is a cost basis for the difference in commission rates and the lower rate is fairly compensatory for the service rendered.

VIII. *Fare and Rate Levels:*

A. *North Atlantic:*

1. *Passenger Fares:* Since the North Atlantic tourist service program is in its experimental state, the Board favors the retention of the *status quo* in the passenger fare structure, especially as adhered to, it finds no objection to the sale of liquor and bar sundries on tourist flights.

[Vol. 3173] 2. *Cargo Rates:* The Board favors the retention of the existing cargo rates and discount for shipments weighing over 45 kilograms, as well as a substantial reduction in the number of specific commodity rates, a

large number of which appear to be unnecessary. Furthermore, since specific commodities have more weight-breaks than the general commodity rates, and the bulk of North Atlantic cargo moves at specific commodity rates, there seems to be no need at present for further weight-breaks in the general commodity rate structure.

- B. *Conference 1*: The Board is concerned with the need of the carriers operating in South America for greater commercial revenues and favors such changes in fares and rates as may reasonably be expected to increase overall revenues. The Board believes that the elimination of most of the so-called creative or excursion fares and adoption of some kind of circuitry limitation within Conference 1 would tend to accomplish this result. Consideration might also be given to selected increases in below-average fares on the east coast of South America.
- C. *Transpacific*: On the basis of the data available to it, the Board sees no economic or operational basis for the establishment of a transpacific tourist service at this time. It will not be able to approve an agreement for such service, except upon a full showing of its economic and operational feasibility.

Sincerely yours,

/s/ DONALD NYROP
Chairman

[fol. 3174]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 312

CIVIL AERONAUTICS BOARD

Washington 25

Oct. 26, 1953

C
O
P
Y

Mr. Willis G. Lipcomb
 Vice President - Traffic & Sales
 Pan American World Airways, Inc.
 135 East 42nd Street
 New York 17, New York

Dear Mr. Lipcomb:

On September 25, 1953, a meeting was held between the Board's staff and United States members of IATA, in order to ascertain the carriers' respective positions on agreements to be discussed at the IATA traffic conference meetings, beginning November 1, in Honolulu.

The Board's views on the main issues to be considered at the Honolulu meetings are set forth in the enclosed statement.

Sincerely yours,

/s/ OSWALD RYAN
 OSWALD RYAN
 Chairman

Enclosure

[fol. 3175]

I. ADMINISTRATIVE RESOLUTIONS - USE OF INTERLOCKING DEVICE:

The Board views with concern the trend to increase the use of type-A resolutions, of type-B resolutions with type-A paragraphs and of interlocking resolutions, which restrict the responsible government agencies to a choice between a

resolution which may be in part unacceptable or undesirable and an open-rate situation. The Board feels that, while certain rates are undoubtedly commercially interdependent under certain circumstances, the practice of adopting in an increasing number of resolutions restrictive features with respect to government action is contrary to the spirit in which the Board approved the IATA machinery. Furthermore, it would seem that, by thus restricting action by government agencies, the carriers incur the risk of seeing an ever-increasing number of resolutions disapproved by the interested governments. The unjustified interlocking of resolutions may well be a factor in determining whether certain agreements should be approved.

II. FRINGE ITEMS AND OTHER NON TRANSPORTATION PROBLEMS:

For the past several years the Board has expressed concern over the increasing amount of fringe items included with the transportation of passengers, these incidentals becoming a more and more important factor in the overall cost of transportation. It would seem that in order to maintain an economically sound rate structure the carriers should check the trend of recent years to increase the number of give-aways, especially should this trend be carefully watched in tourist-class services where minimal differences in cost may spell the difference between success or failure of the mass transportation experiment.

[fol. 3176] The Board wishes to call the carriers' attention to the following points on which agreement among the carriers would seem imperative:

(1) *Connection expenses*: The absence of a resolution permitting the carriers to assume certain over-night and connecting expenses creates a confusing situation in which the carriers differ on whether they may or may not grant such expenses, and which leads to competitive practices which are not in the interest of the industry. The Board has refrained from a determination on this subject, in its consideration of the Cannes resolutions, in the hope that the carriers will be able to agree on a tightly worded con-

necting expense resolution. However, in the absence of such an acceptable agreement, the Board may, in accordance with its statement contained in Order No. E 7210, of March 6, 1953, condition its approval of all fare agreements on the understanding that fare resolutions fix minimum fares, as provided by the I.A.T.A. rate making machinery, and therefore do not permit the assumption of over night and connecting expenses by the carriers.

In concluding, the Board would like to state that it hopes that resolutions on connecting expenses will be of a temporary nature, and that eventually the carriers will find it possible to do away with this sort of fringe item which is often misused by carriers to convert an uncompetitive position into a competitive advantage.

(2) *Charges for meals and liquors*: Related to the problem of so-called give-aways is the extent to which carriers will furnish meals and liquors, at nominal prices, especially on tourist services. The Board is of the opinion that the existing tourist service resolutions are too loosely drawn [fol. 3177] with respect to the furnishing of free "simple" meals and the sale of liquors. The carriers are strongly urged to agree on a definition of such "simple" meals and on a uniform minimum charge for liquors served aboard tourist flights which is reasonably compensatory. The absence of such an agreement will eventually result in reducing the difference in standards between first class and tourist class services, and results in the uneconomic assumption of such expenses without regard to the cost of furnishing these services.

(3) *Sleeper and Sleeperette charges*: Similarly connected with the problem of fringe benefits is the providing of sleeper and sleeperette service at uneconomically low charges. The Board's opinion is that the increase in sleeper charges to \$35 per berth adopted at the Buenos Aires Conference, and maintained at Cannes, is not an adequate solution to the problem of the existing uneconomic sleeper charges. The Board reaffirms its belief that every effort should be made to increase the charges for luxury accommodations such as sleeper and sleeperette services to com-

pensate for the reduced capacity of the aircraft which their provision entails.

III. FARES AND RATES:

With respect to fares and rates agreements, the Board has only a few specific recommendations to make, but would urge caution in making any drastic changes in the IATA fare structure, and while costs are an important factor in fixing fares and rates, the carriers should resist major increases or reductions in fares unless clearly justified by the economies of air transportation.

(1) *Passenger fare construction resolution*: The Board has stated in its previous recommendations to the carriers [fol. 3178] that the extension of the exemption from the 15 per cent circuitry limitation in Conference 1 to fares in Joint Conferences 1-2 and 1-2-3, which was adopted at Buenos Aires, does not promote a sound fare structure. The Board notes that this exception to the ordinary rules of fare construction as contained in resolution 014a has been maintained at Cannes. It would seem that not only should the carriers attempt to agree on limiting the effects of this exception, but should endeavor to eliminate it from the resolution, and attempt to develop a reasonable circuitry limitation in Conference 1.

(2) *Cargo rate construction resolution*: It is noted that the provisions of paragraph 7 of the Cargo rate construction resolution (014b) of Conference 1 which permit combinations of specific commodity rates with other specific commodity or general commodity rates are of no effect in view of the Board's prohibition of such combinations in resolution 190-552b (Commodity Rates Board), as conditioned by finding paragraph 6 of Order No. E-7210, dated March 6, 1953. It would seem therefore logical to remove these provisions from the above-mentioned paragraph 7.

(3) *Combination aircraft*: Related to the fares problems is the trend among certain carriers to use combination aircraft carrying first class as well as tourist class passengers. When the Board approved the use of such type aircraft in connection with the North Atlantic Tourist Class

experiment, it understood this provision to be of a temporary nature, which would help the small carriers with one or two weekly frequencies to overcome their initial adjustment problems. The Board notes with concern that this [fol. 3179] exception, which it believed to be temporary and for the benefit of the above mentioned small carriers, has become a permanent fixture in all tourist-class resolutions, (as a type A paragraph, disapproval of which would constitute disapproval of the whole resolution), and is being taken advantage of by some large carriers. The Board believes that the United States carrier's interests should oppose the use of this type of aircraft wherever possible.

The innumerable sales difficulties and possible adverse public reaction coupled with dubious economic results and extremely serious enforcement problems arising from use of combination aircraft would seem ample to deter the carriers from tolerating the use of combination aircraft, except where dictated by necessity. Thus, while certain local traffic characteristics may justify the use of combination aircraft, despite the objectionable features of this type of aircraft, it is the Board's opinion that this type of aircraft should not be permitted on key trunk routes.

(4) *North Atlantic Fares and Rates*: The Board has no particular problem with respect to the North Atlantic Rate structure as it exists at present. The carriers might find it advantageous to experiment with short-term excursion fares during the off-season, but it would seem advisable that drastic changes in existing structure not be effectuated before an additional period of experimentation has elapsed to give the carriers a full opportunity to determine the necessity of such changes.

(5) *Trans-Pacific Fares*: There appear to be no major problems in connection with Trans-Pacific first class fares, although some upward adjustment in the South Pacific fares, to and from Australasia may be desirable.

[fol. 3180] With respect to the proposed tourist program, the Board has very little data before it on the proper basis for a reasonable tourist fare across the Pacific. However, it would seem advisable in the absence of experience, to avoid any cuts in the fares so drastic they may not be

overcome by the additional traffic generated. Therefore, the Board recommends that the carriers not go below the one-way tourist fare of \$150 between Tokyo and the West Coast, and \$508 between Hong-Kong and the West Coast.

(6) *Conference 1:* With respect to Conference 1, the Board is seriously concerned over the absence of a tourist resolution adequately determining the conditions of furnishing tourist class service in that area. The lack of agreement on such a resolution has resulted in an increasing lack of differentiation between tourist-class service and first-class service. Such a situation cannot benefit the industry and should be remedied by adopting a tourist resolution patterned as much as possible after similar resolutions effective in the rest of the world.

IV. CURRENCY PROBLEMS:

The Board is aware of the difficulties facing the industry with respect to currency problems. As in the past, the Board will continue to lend all its support to the carriers' efforts to solve these problems. The Board strongly urges the carriers to agree, among other things, to a tightening up of the currency resolution (021 series), so as to insure that the carriers receive the true equivalent in local currency of the fares and rates adopted in basic currencies, especially by providing for some reasonable floor which shall be effective in case of failure to agree locally on the conversion rate of so-called "asterisked" currencies.

[61, 3181] V. AGENCY:

When the Board approved, by Order No. E 7212 of March 6, 1953, the amendments to resolution 810 on Passenger Sales Agents, it was on the understanding that the carrier would exercise due diligence in improving the existing provisions for the cancellation of such agents, to provide adequate standards of procedure and of productivity for the retention of agents. The Board is disturbed by the carriers' apparent failure to take any steps in that direction. Continued failure to make appropriate improvement in the existing resolution may require the Board to reconsider its approval thereof.

VI. DISCRIMINATORY FARES AND OTHER RELATED PROBLEMS:

The Board notes with satisfaction that the IATA carriers have apparently checked the trend of adopting discriminatory fares, and that the number of such fares has been diminishing constantly in the past two years. However, certain problems have not yet been satisfactorily solved, and will be discussed below.

The Board is of the opinion that discriminatory fare arrangements will eventually disappear if the United States carriers present a solid front on this subject. Those fares are repugnant to the Act, and have been consistently condemned by the Board, and the Board expects that no American flag carrier will propose or support discriminatory fares within IATA.

(1) *Regional fares*: The Board reiterates its position that permitting fare differentials over the same route on the basis of the carrier furnishing the transportation is contrary to sound transportation practices and will eventually destroy the IATA fare structure. The Board cannot approve fare resolutions permitting such differentials and (fol. 3182) believes that the American flag carriers not only should oppose any attempt to introduce this type of discrimination in IATA resolutions, but should also use their best efforts to have IATA take a firm position against the imposition of such fares by unilateral action of governments.

(2) *Student fares*: The Board has noted that the number of IATA resolutions on student fares has been steadily reduced. Such action is in line with the Board's opinion that student fares are discriminatory (and in violation of the Act). In line, however, with its policy not to interfere in fare arrangements completely outside air transportation, and recognizing the wide acceptance abroad of student discounts, the Board has, in the past, approved student fare resolutions. In two minor instances these fares are applicable in air transportation: (a) over the Mid-Atlantic to and from Miami, and (b) over the Pacific to and from the West Coast. The Board is of the opinion

that these student fare resolutions should be limited at the coming Conference so as not to apply in air transportation. In the absence of such restrictive language in the resolutions, the Board will consider what appropriate action should be taken with respect to these agreements. In that connection, the Board also urges the carriers to restrict student fare resolutions outside air transportation so as to prevent, as effectively as possible, any combinations resulting in the application of these discriminatory fares from or to the United States.

[fol. 3483].

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 313

COPY

CIVIL AERONAUTICS BOARD

Washington 25

September 23, 1954

Mr. Willis G. Lipscomb
Vice President - Traffic and Sales
Pan American World Airways, Inc.
135 East 42nd Street
New York 17, New York

Dear Mr. Lipscomb:

A meeting was held between the Board's staff and the United States carrier members of IATA on September 10, 1954 in order to ascertain the carriers' position on various agreements to be discussed at the forthcoming IATA Traffic Conference Meetings in Venice.

The Board's views on the main issues to be considered at the Venice meetings are set forth in the enclosed statement.

Sincerely yours,

CHAN GURNEY
Chan Gurney
Chairman

Enclosure

[fol. 3184] 1. *Passenger Fares and Cargo Rates*

There are few recommendations that the Board has to make with respect to fare and rate agreements since it is understood that most carriers favor the status quo. The Board is aware of no basis for major changes in the existing levels of fares and rates. It desires to again emphasize that any major changes, especially increases, which are proposed should be clearly justified on the basis of cost and traffic data.

The Board believes that it would be economically unsound and destructive of a stabilized rate structure to attempt to establish any special class of fares based on the use of fully depreciated aircraft. The depreciation policies of carriers and the periods in which planes become fully depreciated vary so widely as to provide no sound basis for a special low fare structure based on the use of fully depreciated planes.

(3) *Passenger Fare Construction Resolution*

The Board urges that this resolution be tightened up to effectively control circuitry beyond the 15 percent now permitted without fare adjustment and to remove the exemption from circuitry limitations in Joint Conferences 1-2 and 1-2-3.

At the present time, due in large part to the fact that most first class fares are built on a distance curve whereby the rate per mile decreases with the length of the journey, there are a number of cases where a person traveling on a combination tourist first class service, for which the fare [fol. 3185] under the construction resolution is basically the sum of the sector fares, may have to pay as much for the combination service as he would for all first class service under agreed through fares. Those cases where a combination routing is the same as that permitted under a first class fare at or near the same level not only raise serious public relations problems, but also substantial questions of discrimination or undue preference or prejudice.

While we understand that consideration is being given to making provision for some adjustment in passenger fares

in those cases where through first-class passengers are involuntarily re-routed for part of the journey on tourist service, it does not appear to us that this is adequate to meet the problem. We believe appropriate steps should be taken to insure that on combination tourist first-class trips the fare reflects a reduction from the lowest first-class fare available between the same points over the same routing which is equitably related to the proportion of the journey which is performed on tourist service. On the other hand, in formulating a solution for the problem, care should be taken to avoid excessive reductions for the use of tourist service such as would apparently be possible in a number of cases under the proposal to reduce the first-class fares by the aggregate of the tourist class first class differentials on tourist service sectors.

(2) *Mixed Class Aircraft*

The Board notes with concern the desire of some carriers to relax the limitations applying to mixed class aircraft. Many of the problems foreseen as arising from the use of such aircraft appear to have materialized. It is urged that a further attempt be made to limit the use of this type of aircraft to those routes of low traffic density where dual class service is practically feasible only on such planes. In any case, it would appear that further tightening, rather than relaxing, of the rules regulating mixed class aircraft is necessary if the dual first class tourist class fare structure is to be maintained.

(5) *North Atlantic Fares and Rates*

A review of the North Atlantic traffic figures for the two years prior and two years after the institution of the North Atlantic tourist service appears to indicate that since the introduction of tourist service the extreme seasonality of the first-class traffic pattern has been substantially reduced both for the IATA carriers as a whole and for the American carriers individually. On the other hand, the figures appear to indicate that for the tourist service the seasonal traffic variations are even greater than was true for first-class service before the inauguration of tourist-class service.

Bearing in mind that to a large extent the peak seasonal traffic which used to fly on first class service has already been diverted to tourist service, there appears to be a serious question whether or not the continuation of the presently sharply reduced off season fares or, for that matter, any off season fares on the first class service, is justified.

(fol. 3187) Although last year the relative reduction in the off season fares for tourist service was greater than on the first class service, it apparently was not great enough to significantly level off seasonal peaks and valleys in the traffic, whether by diverting seasonal travel to the off season or by generating substantial amounts of new traffic in the off season. It appears to us that in view of the foregoing, serious consideration should be given to providing tourist fares during the off season which are substantially lower than those which have been previously in effect. Sufficiently sharply reduced fares might not only succeed in diverting a greater part of peak season travel to the off season, but might well succeed in attracting to the scheduled service a good part of the traffic moving on charter services, as well as generating a substantial amount of short term vacation travel by lower and medium income groups. In order to minimize the diversion of tourist travel which would move at the regular tourist fare, it would appear desirable that the sharply reduced fares be offered in the form of short term excursions during the off season.

While sharp reductions in off season tourist fares appear economically feasible because of the large amount of unused tourist capacity in the off season, there appears to be no economic basis for reduced fare excursions in the on season where any additional traffic would require operation of additional equipment.

IV. Currency Problems

(fol. 3188) It is believed important that the carriers, in reappraising Resolution 024a, maintain the principle of providing for some reasonable floor to be effective in case of failure to agree locally on the conversion rates of "asterisked currencies."

III. *Sleeper Surcharge*

The Board notes with satisfaction the present level of sleeper surcharge adopted by the carriers on a worldwide basis, which is much closer to what the Board considers a minimum economic charge for such service. It would appear from the consensus expressed by the carriers present at the recent staff meeting that the increase in sleeper surcharge has contributed to the increase of revenues of the carriers and there appears to be no valid basis for any reduction in the present minimum for sleeper surcharges.

It also appears desirable that the carriers agree on a minimum surcharge for sleeperette accommodations to compensate for the loss of revenue due to the lower density required by this type of seating arrangement.

IV. *Meals, Give-aways and Seating Densities on First-Class Services*

The Board is concerned with efforts of some carriers to relax the restrictions presently governing the serving of meals on tourist-class service. It appears imperative that these restrictions be maintained if a substantial distinction between first-class and tourist-class services is to be preserved in the long run.

Another question of serious concern to the Board is the trend towards increasing the number of give-aways on first-class, as well as on so-called de luxe services, while reducing the seating density on these services. This type of uneconomic competition seriously threatens carrier revenues and ultimately results in higher fares or greater subsidy needs. It would appear highly desirable that the carriers take steps to effectively control this type of competition. It also appears important to agree on some effective regulation to reasonably relate the added services on de luxe services to the charge therefor.

V. *Charters*

In certain areas the present charter resolution, 045, in effect permits split charter practices contrary to the usual accepted commercial practices in this field. It is suggested

that clearer language be adopted in the resolution applicable in those areas where present provisions appear to permit groups chartering aircraft to further reduce the charge by permitting the carrier to sell the remaining seats at the full IATA fare.

VI. Resolution 810—Cargo Consolidators

There appear to be a number of cases in the cargo consolidator field where IATA cargo agents who consolidate under another firm name, or are participants in a consolidating group under a separate name with other IATA agents, receive commissions on the shipments made by such consolidators. This would appear to be in violation of Section 403 of the Act and it is believed that Section Q(6) of Resolution 810 should be revised to make it clear that commissions shall not be paid to an IATA cargo sales agent, not only on consignments consolidated by such agent, but also on consignments consolidated by any entity wholly or partially controlled by, controlling, or under common control with such agent or in which the agent has a beneficial interest.

[fol. 3190]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 314

CIVIL AERONAUTICS BOARD
WASHINGTON 25

[Stamp—May 16, 1956 Vice President—Rec'd New York
—May 16, 1959—Traffic & Sales]

Mr. Willis G. Lipscomb
Vice-President—Traffic & Sales
Pan American World Airways, Inc.
135 East 42nd Street
New York 17, New York

Dear Mr. Lipscomb:

A meeting was held between the Board and the United States carrier members of IATA on April 17, 1956, at which the carriers presented their respective positions concerning various issues which are to be considered at the forthcoming IATA Traffic Conference Meetings in Cannes.

After careful consideration of the material presented by the carriers, as well as other relevant material available to it, the Board has adopted its position with respect to the major fare and rate problems which must be resolved at the conference meetings. This position is set forth in the enclosed statement, which should be considered in conjunction with the views previously expressed by the Board in Orders Nos. E-9969 and E-10017, adopted February 2 and February 20, 1956, respectively.

The Board understands that the United States carriers will support its position in their negotiations within IATA.

Sincerely yours,

/s/ JAMES R. DUFFEE
Chairman

Enclosure

[fol. 3191]

**STATEMENT OF BOARD POSITION WITH RESPECT
TO THE MAJOR ISSUES TO BE CONSIDERED AT
THE IATA TRAFFIC CONFERENCE MEETINGS,
CANNES, MAY 29, 1956**

I. *Tourist Services*

The paramount issue which will face the IATA Conference is undoubtedly the establishment of the proper level of fares and standards of service to be applicable on the North Atlantic route. The Board is convinced that a large potential exists for travel on the North Atlantic which cannot be reached by the tourist fares which are presently available. The development of this new market is important, not only to the air transportation industry and the ultimate interests of the carriers, but also to the various countries concerned, for whom the revenue from tourist travel is a major source of dollar income.

The Board is convinced that the introduction of a truly high-density low-cost service, substantially along the lines proposed by Pan American, merits emphatic support as the most satisfactory answer to the intent expressed by the Board in Order No. E-10017, dated February 20, 1956.

After careful study of all information available to it, the Board has concluded that operations in high-density configuration on the North Atlantic are both technically and economically feasible and, in conjunction with rigid standards of service, will permit a fare reduction to the \$391.50 level proposed by Pan American between New York and London. The economic soundness and stability of such a service, however, is dependent upon strict adherence to the conditions suggested by Pan American, i.e. 20 kilos free baggage allowance, 34 inch maximum seat pitch, mandatory five-abreast seating, maximum of two cabin attendants, no liquor service, and modest meal service at the passenger's expense.

It is the Board's firm conclusion that adequate exploitation of the traffic-generating potentiality of this type of service is contingent upon the establishment of a basic New York-London round-trip fare which is available year around at levels not in excess of \$400. This represents an approximate 25 percent reduction from present tourist fares, a reduction which is clearly attainable without sacrifice to the present level of earnings, under the rigid specifications upon which the service is premised.

While the Board believes it desirable that low cost air service be made available to the public as early as possible, it would consider an inauguration date not later than April 1, 1957 as reasonable in view of the technical and promotional problems involved.

It is the Board's opinion that, with the operation of this new low-cost service, development of an adequate overall pattern of services requires that present tourist-class services continue as currently operated.

[fol. 3192] TWA has proposed to establish a special excursion fare for round-trip travel completed within an approximate 15-day period. In view of the fact that the present volume of such travel is extremely limited, such a proposal must be considered primarily promotional in nature, and not as an adequate solution to the basic problem. The Board would, however, endorse experimentation with such a pro-

gram provided it is additional to and not in place of a proper solution of the basic problem.

While the Board has indicated that its concern with the seating densities presently operated in tourist services extends equally to other areas, specifically the Latin American and the transpacific routes, it recognizes that certain operational factors peculiar to these areas may make it difficult to achieve a significant increase in the seating densities presently being operated. Moreover, because of the relatively thin traffic density in these areas, there is some reasonable doubt whether, even should an increase in seating capacity be possible, any significant increase in traffic would result, at this time, to justify the change. The Board, therefore, does not consider it urgent that this IATA Conference act to increase the minimum seating densities presently applicable in these areas. However, it is believed that the carriers involved should give careful consideration to the problem so that, within a reasonable period of time, standards for tourist service in these areas can be formulated which will provide a sound basis for appropriate future reductions in cost and fare levels.

II. First-Class Services

The Board can find no justification for the increases in the level of first-class fares which became effective April 1, 1956 on transatlantic and transpacific routes, and believes that a sound fare structure requires that these increases be rescinded, effective October 1, 1956. The present level of fares is not considered adequate to compensate for the displacement in available capacity occasioned by sleeper-seat service, nor, on the other hand, does it appear warranted for operations conducted in standard configuration. While there is no doubt that the provision of sleeper-seat accommodations entails higher costs, there appears to be no basis for charging any part of those costs to first-class travelers who do not utilize such luxury services.

The Board believes that a charge of \$75 should be assessed for sleeper-seat service, in view of the additional space which is required, to be superimposed upon the first-

class fare level effective prior to April 1, 1956. Those who wish to sell or buy luxury accommodations will, as a result, be placed on a fair competitive basis with those who choose to sell or buy standard service, and the carrier which believes it economically sound to offer standard first class service will not be forced by competitive pressure to offer sleeper-seat service at a relative loss.

[fol. 3193] In the event agreement on a surcharge for sleeper-seats proves impossible, the Board believes that the establishment of specified maximum seat spacing, which will insure economic operations at the basic level of first class fares, is required.

III. *Berth Surcharge*

The Board recognizes that, in those areas where no sleeper-seat service is provided, the present berth charge of \$55 may be compensatory in the case of upper berths, which do not displace saleable seats, and, in addition, for lower berths sold on a ship-side basis. However, it considers the higher value of service on these routes where a sleeper-seat surcharge is imposed requires a charge for upper berths of \$100. A similar charge appears proper for lower berths if agreement is reached limiting sales to ship-side confirmation. In the event such an agreement is not concluded, however, the charge for lower berth accommodations should be at least \$150.

IV. *Polar Route Fares*

The Board is fully aware of the basic problems inherent in the development of polar routings between Europe and the Far East which result in substantially reduced mileages as compared with the conventional routing via North America. However, it is of the strong conviction that, in view of the presently limited extent of operations over such routings, every effort should be made to proceed cautiously and to avoid unnecessary disruption of the existing world-wide fare structure.

It is believed that the impending operation of SAS between Europe and Asia, which will involve no traffic rights

in North America, but which will be somewhat shorter in mileage than the routing via India, justifies equalization of fares with those applicable on the via India routing.

There appears, however, to be no economic basis for a similar equalization of fares to be applicable on the CPAL routing via Vancouver, which is substantially longer than either the SAS route or that via India. In view of the fact that this routing involves some mileage reduction over the conventional routing via North America, there may be some basis for a limited differential from the fares applicable on the conventional North American routing. However, any such differential should be accompanied by a prohibition against the offering of stop-over privileges in North America. A restriction of this nature would limit the savings to Europe-Asia traffic, for which it is basically intended, and would minimize cumulative damage to the existing worldwide fare structure. The Board considers it extremely important that the level of fares presently applicable on the conventional routing via the North Atlantic and transpacific be maintained.

[fol. 3194] V. *Round and Circle-Trip Discounts*

There appear to be various proposals pending which contemplate the reduction or elimination of the 10 percent discount presently applicable to round and circle-trip travel, with respect both to tourist-class and first-class service. The Board takes no position as to the level of discounts which should apply to such transportation. However, inasmuch as the great majority of international travel is of a round or circle-trip nature, a reduction in the present 10 percent discount would amount to a substantially similar increase in the general fare level. The Board can see no justification for an increase in the general level of fares at this time and accordingly, believes that any reductions in the presently effective discount should be compensated for by a corresponding downward adjustment in the basic level of fares.

VI. *Specific Commodity Rate Structure*

The Board is seriously concerned with the specific commodity definitions currently effective with respect to North Atlantic traffic. It appears clear that the generic descriptions now applicable not only result in unnecessary dilution of revenue through the inclusion of high value commodities in broad classifications which are rated on the basis of the lowest-valued commodity included therein, but facilitate further dilution in the adequate enforcement of proper application of rates is extremely difficult. Clearly, a system of loosely defined descriptions, subject to a wide latitude of interpretation, may, by its very nature, result in breakdown of the rate structure.

A number of instances have been brought to the Board's attention where high-valued commodities are being carried at rates substantially below those which could be charged by the carriers. The Board is convinced that the establishment of a sound rate structure requires delineation of commodity descriptions with sufficient clarity and detail to preclude the development of such situations. As the Board has stated on numerous occasions, and as the cargo development group of IATA has recognized, the unnecessary dilution of revenues which results from the grouping of many varied commodities, capable of moving at widely different rates, within one classification, inhibits the proper development of cargo transportation by destroying the economic basis upon which truly low rates can be offered to attract those commodities which are not presently moving by air. Although the present North Atlantic specific commodity rates generally do not expire until December 31, 1956, prompt steps should be taken to make all revisions necessary to correct such situations by September 30, 1956.

VII. *Resolution 102, Passenger Expenses en Route*

The Board has previously expressed its belief that some tightening of the provisions of this resolution is required to prevent unwarranted absorption of passenger expenses at over-night stops and connecting points, a practice which [fol. 3195] has apparently created the anomalous situa-

tion where through services, in certain areas at least, are becoming less attractive to the traveling public than connecting services.

Since it appears unlikely that any significant revision of the current resolution will result from the forthcoming conference, the Board believes it highly desirable that a working group be established to undertake a comprehensive study of the problem and to formulate a proposal which will restrict such practices as far as possible.

VIII. *Resolution 045 - Charters*

In Order No. E-9929, the Board proposed restating the conditions on its approval of the charter resolution to clarify that under no circumstances shall the nature of the group be a valid criterion to evaluate eligibility for charter. Order No. E-10017 withheld making the change to provide an opportunity for a working group of IATA to explore the problem, and also affirmed the condition with respect to unused space on charter aircraft. We have received no material from IATA or any carrier which would indicate that the condition proposed in Order No. E-9929 with respect to the nature of the group, or that made final in Order No. E-10017 with respect to unused space on charter aircraft is not required in the public interest, and the carriers are urged to have such conditions embodied in the resolution.

IX. *Documentation*

The Board in disposing of certain IATA agreements adopted at the Miami conference, stated that, in the future, it would not consider as a valid argument for approval of an agreement which it finds to be adverse to the public interest the allegation that insufficient time would be available to the carriers in which to effect the necessary corrective action.

Although the submission of the resolutions themselves has been very prompt, there has been a lag of several months before the Board's staff has had available to it the full post-conference documentation, particularly the conference minutes. While recognizing the mechanical difficulties en-

countered by the IATA secretariat in processing and finalizing the minutes, the minutes are considered essential to an adequate appraisal and understanding of the action taken by IATA. Unless it proves possible to expedite substantially the submission of the minutes to the Board, it would appear that the IATA carriers should revise the conference schedule so as to extend the length of time between the conclusion of the conference and the date upon which the agreements are intended to become effective. This interval of time must be sufficient not only to permit a careful appraisal by the Board of the substantive agreements, but also to afford adequate time to the carriers in which to take remedial action should any government disapprove a resolution.

[Ed. 3196]. The forthcoming IATA conference presents a particular problem due to the relatively short period between the conference meeting and the date upon which certain important fare resolutions must be acted upon. Should it prove impossible to accomplish the processing of the minutes in substantially less time than heretofore, it is believed the Situation Reports should be made available to the Board. This request should not be construed to represent a precedent for future conference meetings, but rather as an exceptional step necessitated by the unusual circumstances existing this year.

© May 14, 1956

[Vol. 3197]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 315

Orders

Serial Number E-570

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 5th day of May, 1947

Docket No. 2423

In the matter of an agreement filed under section 412(a)
of the Act, and any other applicable provisions thereof
between

PAN AMERICAN AIRWAYS, INC.,

and

PAN AMERICAN-GRACE AIRWAYS, INC.,

relating to through service at Balboa

ORDER

A full public hearing having been held in the above-entitled proceeding, and the Board, upon consideration of the record, having issued its opinion containing its findings, conclusions and decisions, which is attached hereto and made a part hereof:

IT IS ORDERED:

1. That the motion of Eastern Air Lines, Inc., filed with the Board on November 6, 1946, to dismiss the petition of Pan American Airways, Inc., filed on August 9, 1946, be and it hereby is denied;

2. That the through flight agreement between Pan American Airways, Inc., and Pan American-Grace Airways, Inc.,

dated July 30, 1946, and the companion agreement between Pan American Airways Corporation and W. R. Grace & Co., dated July 30, 1946, be and they hereby are approved [fol. 3198] subject to the following terms, conditions, and modifications:

- (1) That paragraph 13 of the through flight agreement is disapproved and shall be deleted from the agreement;
- (2) That approval of the agreements shall be for a term of 3 years from the date of the Board's order, at which time the Board without further hearing, if deemed appropriate, may extend the approval for such period as may be desirable at that time;
- (3) That any changes in accounting under the agreements even though considered minor by the parties shall be reported to the Board through the Economic Bureau in accordance with section 407 of the Act;
- (4) That agreements in relation to compensation in regard to agency fees, training, or other matters not previously agreed upon in the through flight agreement shall be filed with the Board in accordance with section 412 of the Act.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 3199]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 316

E-570

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Served:

DOCKET NO. 2423

PAN AMERICAN-PANAGRA AGREEMENT

Decided: May 5, 1947

Agreements dated July 30, 1946, between Pan American Airways, Inc., and Pan American Grace Airways, Inc., and between Pan American Airways Corporation and W. R. Grace & Company, approved for a period of three years subject to certain terms and conditions.

Appearances:

Henry J. Friendly and Fowler Hamilton for Pan American Airways, Inc.

Gerhard A. Gesold and Chas. M. Davison for Pan American-Grace Airways, Inc.

Hubert A. Schumler for Braniff Airways, Inc.

E. Smythe Gambrell and W. Glen Harlan for Eastern Air Lines, Inc.

Alexander C. Dick for Colonial Airlines, Inc.

John W. Cross and Richard A. Fitzgerald for National Airlines, Inc.

R. S. Maurer and J. M. Ferner for Chicago and Southern Air Lines, Inc.

Edward J. Hacken and Joseph McDowell for Department of Justice.

Edu. D. Rapier for New Orleans Airport Commission.

James L. Highsaw, Jr., and Ellison D. Smith, Jr., Public Counsel.

Wilbur LaRue, Jr., for Port of New York Authority, amicus curiae.

OPINION

BY THE BOARD:

This is a proceeding initiated by a petition of Pan American Airways, Inc., (Pan American) for approval under section 412 and such other sections of the Civil Aeronautics Act as may be deemed applicable of an agreement dated July 30, 1946, between it and Pan American Grace Airways, Inc. (Panagra), hereinafter referred to as "contract A" or the "through flight agreement". Panagra, by letter dated August 5, 1946, concurred in the filing of the agreement [fol. 3200] ment under section 412. An agreement between W. R. Grace & Co. (Grace) and Pan American Airways Corporation (Pan American Corp.), also dated July 30, 1946, hereinafter referred to as "contract B", or "parent company agreement", was not formally filed but was annexed to Pan American's petition because of its relationship to the through flight agreement.

Braniff Airways, Inc., Eastern Air Lines, Inc., Colonial Airlines, Inc., National Airlines, Inc., Chicago and Southern Air Lines, Inc., the Department of Justice and the New Orleans Airport Commission were permitted to intervene. After notice to all interested parties, a public hearing was held before Examiners Thomas L. Wrenn and Warren E. Baker. Pursuant to order dated October 11, 1946, (Serial No. E-36), the examiners certified the record of the proceeding to the Board for decision. Briefs were filed by Pan American, Panagra, Eastern, National, and Public Counsel, while Braniff filed a memorandum of position and the Department of Justice a letter withdrawing from further participation in the case. Oral argument was heard at which, in addition to the parties, the Port of New York Authority was permitted to appear *amicus curiae*.

Pan American, a wholly owned subsidiary of Pan American Corp., and Panagra, owned 50 percent by Pan American

can and 50 percent by W. R. Grace & Co., operate an extensive system of air transportation in Latin America. The former operates between Miami, Fla., and the Canal Zone, and from New Orleans, La., and Houston and [fol. 3201] Brownsville, Tex., to the Canal Zone, making connections at that point with Panagra. It also operates between Miami and Buenos Aires, Argentina, by way of points in the Caribbean and on the east coast of South America. Pan American also has a route from New York, N. Y., to San Juan, Puerto Rico, connecting there with the Miami-South American route. Panagra operates between the Canal Zone and Buenos Aires via various points on the west coast of South America. It also operates local service in several South American countries, having a system of approximately 8,800 route miles. Since its incorporation in 1929, its commercial operations at all times have been confined to transportation between the Canal Zone and points in South America.

Traffic between the United States and points on the west coast of South America and Buenos Aires, which constitutes a substantial part of Panagra's total business, has been carried between the United States and the Canal Zone by other carriers, largely by Pan American, and at that point delivered to, or received from, Panagra for onward transportation. Most of the business interchanged by Pan American and Panagra at the Canal Zone is carried over Pan American's Miami-Canal Zone route, and originates on or is destined to the eastern seaboard of the United States.¹

During the course of Panagra's history, differences have developed between the owners of Panagra, the Grace representatives on the board of directors of Panagra having urged that Panagra should apply for an extension to the United States, which proposal was not acceptable to the Pan American representatives. Since Pan American and Grace held equal stock ownership and representation on

¹ For data on the volume of traffic see *Latin American Air Service*, 6 C.A.B. 857 (1946). Supplemental Opinion Service issued concurrently herewith.

the Panagra board, the proposal of the Grace representative [fol. 3202] has always failed for lack of a majority. Such an extension of Panagra was the subject of an investigation by the Board which terminated in a dismissal on the ground that the Board was without power to accomplish the compulsory extension of Panagra to the United States. The case was remanded to the Board by the Circuit Court of Appeals for the Second Circuit for further consideration. The Supreme Court granted petitions for review of the Circuit Court of Appeals decision but upon request of the parties the case has not been docketed for argument, pending disposition of the instant proceeding. In the *Latin American* case, decided May 17, 1946, the Board again referred to the differences existing between the owners of Panagra. Following the decision in that case, a meeting of the Panagra directors was held in order that the implications arising out of that decision might be considered. The agreement before us is the outgrowth of that meeting.

Before considering the agreement and the contentions of the parties in connection therewith, it is appropriate to set forth a summary of the principal terms of the agreement. The through flight agreement in substance represents an arrangement between Pan American and Panagra for providing through one plane service between the principal points on Panagra's routes and the United States. Briefly the component parts are:

1. A through flight agreement whereby Pan American will charter any aircraft operated by Panagra into the Canal Zone from Lima or points farther south for through operation in Pan American's scheduled services from the [fol. 3203] Canal Zone to continental United States. The operation of Panagra aircraft and crews over Pan American routes north of the Canal Zone is under Pan American's responsibility and control and for its account, while the

Panagra Terminal Investigation, 4 C.A.B. 670 (1944).

W. R. Grace & Co. v. Civil Aeronautics Board, 154 F. (2d) 271 (1946). Rehearing denied February 21, 1946.

Latin American Air Service, *supra*.

operations south of Balboa are under the control of Panagra. The initial route over which through flights are to be operated is that of Pan American between the Canal Zone and Miami. However, under certain conditions, the agreement may be extended to include schedules over Pan American's route between Balboa and New Orleans, particularly if nonstop authorization is granted, and under certain contingencies to New York and to Chicago, Ill., provided Pan American is authorized to fly from Miami and New Orleans to those points.

2. An overhaul agreement whereby Pan American will overhaul at its Miami base Panagra's flight equipment, whether of the type chartered by Pan American under the through flight agreement or otherwise.

3. An agreement by Pan American to train Panagra pilots or other personnel, whether engaged in through flight service or otherwise, in any training centers operated by Pan American in the continental United States.

4. A modification of the agreement currently in effect whereby Pan American acts as general sales agent for Panagra in the United States.

5. Agreements, under certain conditions, to: (a) negotiate with the objective of entering into an agreement, subject to approval of the Board, for the sharing of revenues from the transportation of traffic between the United States and Buenos Aires and/or Montevideo; (b) negotiate for the operation of nonstop service between points on Panagra's routes and points on Pan American's routes, subject to Board approval; and (c) an agreement to arbitrate unsettled disputes between the parties which arise out of [fol. 3204] the terms of the contract, pursuant to the rules of the American Arbitration Association, such arbitration to be conducted in accordance with the laws of the State of New York.

6. The agreement contains miscellaneous provisions relating to contingencies which may arise such as provision for termination, and the designation of Panagra's president as the person to assert Panagra's rights under

the through flight agreement. The life of the agreement is 99 years subject to termination because of default, or through withdrawal of the Board's approval. The agreement also provides that if the Board imposes conditions upon its approval of the agreement, within the general framework of the agreement, the parties will undertake to negotiate in an effort to meet such conditions.

The parent company agreement is an agreement between Pan American Corp. and W. R. Grace & Co. which ratifies the through flight agreement between Pan American and Panagra. It continues under more explicit terms the existing arrangements under which one of the directors of Panagra nominated by W. R. Grace acts as president of Panagra, provides for the appointment of a vice president of operations of Panagra, to be selected with the approval of Pan American and provides for the disposition of pending litigation between the parties. Both agreements contain provisions vesting the president of Panagra with full authority to assert Panagra's rights under the through flight agreement. All questions as to any action taken by the president of Panagra are to be settled by arbitration if the parties are unable to reach an accord.

Section 412 of the Act under which approval of the through flight agreement is requested, provides that any agreement between air carriers or other carriers affecting [fol. 3205] air transportation and providing for the pooling of services or equipment or for other cooperative working arrangements shall be filed with the Board. Paragraph (c) of that section provides that the Board shall disapprove any such agreement, whether or not previously approved, that it finds to be adverse to the public interest and shall approve any such agreement that it does not find to be adverse to the public interest.

The contention has been made that section 401 is also involved in this proceeding. Section 401 of the Act relates to certificates of public convenience and necessity and the specific reference here involved provides that no air carrier shall engage in transportation unless there is in force a certificate issued by the Board after notice and hearing. It

is argued by some of the interveners that under the through flight agreement Panagra would be engaging in air transportation between the United States and Balboa so that Panagra would be required to obtain either an amendment to its certificate under section 401 or a specific exemption to the extent necessary to perform the operations contemplated.

Paragraph 6 of the through flight agreement states that: "Pan American shall have full responsibility for and control over the operation of Panagra's aircraft over Pan American's routes as provided in this agreement. Pan American's responsibility for such operation without limiting the generality of the foregoing shall include responsibility for operation, dispatch, flight plane clearance, radio plane guard, and 'in-flight' instructions, and all communications, navigation, and weather facilities and services, and also for loading and discharge of airplanes, handling of traffic and passenger service". It appears from the testimony that Pan American will establish schedules north of the Canal; that it will inspect Panagra aircraft submitted for operation over its routes and can reject such aircraft if [fol. 3206] unsatisfactory; that the revenues received from the operation will be for Pan American's account, that Panagra crews will be qualified and included under the operations specifications of Pan American's Latin American Division and will utilize Pan American's route manual, operations manual, and aircraft manual; that Pan American will have authority to cancel a flight, turn it back, delay or reroute it for operational reasons; and that Pan American will perform all of the operations of the aircraft as a commercial unit from the landing of the aircraft northbound in Balboa to the completion of the flight southbound in Balboa. The evidence also shows that Panagra and Pan American will continue to use the same form of ticket which has been used in the past for passengers traveling between the United States and the west coast of South America via the routes of Pan American and Panagra. This ticket form, which is in evidence, shows a demarkation between the operations of Pan American and operations by Panagra. The agreement requires that an appropriate notice be

placed in the aircraft informing the public that the airplane is a Panagra airplane under charter to Pan American. In short, the evidence dispels any belief that the control and responsibility will be in Panagra under the agreement or that there will be a holding out to the public of Panagra as the carrier certificated to operate north of the Canal. Therefore, on the basis of the facts of record, we conclude that no amendment of Panagra's certificate under section 404 of the Act is required.

Applicants request approval of the through flight agreement but not of the parent company agreement, although it was annexed to the petition because of the relationship to the through flight agreement. The interveners contend that the two contracts are part of one transaction and, as such, must be treated as one contract. While the applicants have stated that they do not believe that the statute requires filing of the parent company agreement, they have not [fol. 3207] challenged the Board's jurisdiction over the agreement at any subsequent time during the proceeding. On the contrary, they stipulated that the Board may consider the parent company agreement in determining any and all issues of this proceeding and that if the Board shall be of the opinion that the agreement requires formal approval, then it shall be deemed filed for such approval by Pan American Corp. and by W. R. Grace. Clearly, the parent company agreement relates to and implements the provisions of the through flight agreement between the operating companies. Moreover, the contracts have been submitted as settlements of controversies which existed primarily between the two parent companies. We have previously observed that if closely interrelated contracts were not regarded as one transaction where the facts of record so warrant, we would be sanctioning a device whereby provisions affecting air transportation which were adverse to the public interest could be shielded from appropriate regulation in evasion of the clear intent of the Act. Under the circumstances, in view of the close relation be-

tween the contracts, we will consider them as parts of a single transaction.

The interveners further contend that the provisions of both the through flight agreement and the parent company agreement involve section 408 of the Act inasmuch as there is an agreement on the part of one air carrier to lease and operate a substantial part of the properties of another air carrier. The only question raised is whether or not the amount of property involved is a substantial part of the properties of Panagra, within the meaning of section 408 [fol. 3208] (a) (2). At the beginning of the operations, the four-engine equipment which will be used will amount to approximately 3 percent of the present properties of Panagra. However, the provisions of the contract and the evidence introduced by the parties indicate that in the future additional equipment will be utilized which will increase this amount to about 7 percent of the properties of Panagra. Various contingencies under the contract contemplate possible expansion of the operation (if Pan American should be extended from Miami to New York and to Chicago), which would probably involve more substantial portions of Panagra's equipment. The word "substantial" is a relative term, the meaning of which is to be determined by all the circumstances concerning the transaction in which reference to the expression is used, and it has been held that proportions as low as 7 and even 2 percent are substantial. Under the circumstances of the present case we conclude that the contract which contemplates the lease of Panagra's property in the amount of between 3 percent and 10 percent must be considered as involving a substantial proportion of the properties of that carrier, and we are therefore of the opinion that this provision of section 408 is applicable to the transaction.

It has been suggested that either Grace or Pan American Corp., has under the provisions of these agreements acquired control of the air carriers in a manner requiring

United A. L.—Western A. E. Interchange of Equipment, 1 C.A.A. 723 (1940), and cases cited therein. Lockheed aircraft acquisition of United Airports Co., 8 C.A.B. 328 (1940).

approval under section 408. This contention is unimportant for the purpose of bringing the transaction under the jurisdiction of the Board since we have determined that the provision relating to the leasing of equipment confers jurisdiction under section 408. However, it is contended that every party desiring approval of this lease or acquisition [fol. 3209] of control must apply for such approval and that Grace and Pan American Corp. are necessary parties to this transaction. Therefore, while the question of whether each one of the four parties here involved acquires control or leases property is unimportant from the jurisdictional standpoint, it is important from the technical standpoint since Grace and Pan American Corp. have not formally filed an application for approval of the parent company agreement.

The provisions of section 408(b) require that any party desiring approval of such matters as are set forth in section 408(a) shall file an application for approval which the Board after notice and hearing shall approve if found to be consistent with the public interest and disapprove if found to be inconsistent with the public interest. The section further provides that the Board shall not approve such transactions as would result in creating a monopoly, and thereby restrain competition or jeopardize another air carrier not a party to such transactions. It is further provided that if the applicant is a carrier other than an air carrier, the Board shall not approve such transaction unless it will promote the public interest by enabling such carrier other than an air carrier to use aircraft to public advantage in its operation and will not restrain competition. In comparing the tests set out above with those set out in section 412, it is apparent that the latter makes approval of an agreement filed thereunder dependent upon that agreement being consistent with the public interest. In substance, therefore, this test under section 408 and 412 is the same. However, matters under section 408 may not be approved which result in creating a monopoly and certain tests are also applicable when the party seeking approval is a carrier other than an air carrier.

[fol. 3210] Pan American and Panagra are both air carriers and under the agreement Pan American leases Panagra equipment. It is clear, therefore, that Pan American must obtain our approval under section 408. Grace and Pan American Corp. participate in this transaction only by virtue of the parent company agreement which is neither a lease, purchase, or contract to operate equipment. The only question in relation to these parties is whether they acquire control of an air carrier. Grace and Pan American Corp. acquired their respective 50-percent holdings in Panagra 9 years before the enactment of the Civil Aeronautics Act. By virtue of the fact that the ownership of Panagra is evenly divided, each held a certain amount of negative control. We have heretofore stated that section 408 does not apply to the continuance or maintenance of a control relationship created prior to the effective date of the Civil Aeronautics Act and existing unchanged from that date forward, but that section 408 does apply in a case where the extent or effectiveness of control has increased. We are unable to find that either Grace or Pan American Corp. acquires any additional control over Panagra under the provisions of the parent company agreement. On the contrary, to the extent that the negative control of either company is now subject to arbitration under the parent company agreement, there may be a decrease in the control previously held since it cannot now be exercised arbitrarily but only in accordance with the provisions, the intent, and purposes of the parent company agreement. Therefore, we conclude that neither of these companies is required to seek approval of its relationship to the agreement.

Eastern has contended that the proceeding lacks essential parties. This is based on an argument that the transaction involves acquisition of control of Panagra by Pan American, Pan American Corp., and Grace, subject to section 408 of the Act, and that none of these corporations [fol. 3211] has filed a formal application for Board approval pursuant to that section. We have already found

¹ *Panagra Terminal Investigation, supra.*

² *Railroad Control of Northeast Airlines, 4 C.A.B. 379 (1943).*

that the only element in the transaction that brings it within the scope of section 408 is the lease by Pan American of a substantial part of the properties of Panagra. This would eliminate any necessity for an application under section 408 by any corporation other than Pan American. The petition filed by Pan American in this proceeding, dated August 1, 1946, would appear to constitute a sufficient application for that purpose. All parties and interveners, including Eastern, were clearly on notice that the proceeding involved a determination of whether the transaction should be approved under section 412 of the Act and that the evidence in the hearing might show that approval was also required for Pan American's lease of Panagra aircraft under section 408. Consequently, no question can be raised as to sufficiency of notice and hearing.

A question has also arisen with respect to admission in this proceeding of certain portions of the record from the *Panagra Terminal Investigation*, Docket No. 779. At the hearing Eastern during cross examination submitted some of this material, which was admitted by the examiner over the objections of counsel for Pan American and Panagra. Thereafter, counsel for all parties, interveners, and public counsel agreed to a stipulation by which all of the material of record in Docket No. 779 was stipulated into this proceeding subject to right of renewal of objection by Pan American and Panagra. On briefs and argument before the Board various counsel relied upon portions of the record in Docket No. 779 to show the background of the transaction now before us, and its effect upon the public interest. Pan American and Panagra have renewed their objection to the admission of such evidence. We believe that our decision in this proceeding requires review of all issues with respect to the public interest raised by any of the interveners. Consequently, although some of the matter [fol. 3212] from Docket No. 779 introduced into this record has only slight materiality, we believe that it should be available for consideration of the arguments made by the applicants and the interveners.

Under the terms of sections 408(b) and 412(b), two issues are presented for decision: (1) whether or not the

agreements are adverse to or inconsistent with the public interest, or will violate any of the conditions of section 408, and (2) whether or not the agreements will result in creating a monopoly and thereby restrain competition or jeopardize another air carrier. The routes of Panagra south of the Canal Zone and those of Pan American north of the Canal Zone are essentially complementary. While each provides a great amount of local service, much of their total revenue is obtained from through traffic interchanged at the Canal Zone. Panagra and Pan American compete for traffic at only two South American points, namely, Buenos Aires and Montevideo. Clearly the agreement would not in any way reduce the quantum of competition. On the contrary, the improvement of service which may result under the through flight agreement enhances Panagra's ability to compete effectively for traffic between the United States and Buenos Aires via the west coast of South America, as against Pan American's service down the east coast of South America. Braniff Airways has been authorized to provide a direct service from Houston to South America via Havana and the Canal Zone, and by connections with National at Havana Braniff provides a two-carrier service from Miami to the Canal Zone and west coast points. Admittedly, a through flight agreement of this nature will enable these two carriers co-operatively to compete more effectively with other carriers performing similar service. We have previously indicated in the *United Western Interchange Agreement, supra*, that the restriction in section 408(b) against creating a monopoly [fol. 3213] is inapplicable to mere improvements in existing service whereby connecting service is better able to compete against one-carrier or other connecting services. It is clear in this instance that the competitive situation is not changed in such a way as to result in the creation of a monopoly.

The remaining issue insofar as section 408 is concerned is whether the transaction is consistent with the public interest. Insofar as the public interest is concerned, the expressions "adverse to", as used in section 412, and "not

consistent with", as used in section 408, have essentially the same meaning.

Major reasons advanced by the applicants why the agreement is in the public interest and should be approved are: (1) it will eliminate the inconvenience to passengers, mail, and cargo arising from the necessity of changing planes at Balboa; (2) it makes available to Panagra Pan American's maintenance, training, and sales facilities in the United States; and (3) it will enable the Panagra-Pan American service to develop traffic between the United States and South America and to compete more effectively with other carriers—American and foreign flag—operating over this route.

With respect to the first point, the evidence shows that during the first half of 1946, about 1,250 passengers a month travelled between the United States and points on Panagra's route south of Balboa. These passengers now change planes at Balboa. The through flight agreement would eliminate this transfer for passengers through the Miami gateway, who comprise about 60 percent of the total. The applicants point out that the present schedules must be set up to provide time for connections at the transfer point, Balboa, and that 1 hour 30 minutes on southbound and 1 hour 45 minutes on northbound flights are now allowed as compared to maximum layovers of 20 to 30 minutes that would be scheduled under the through flight agreement. Under present arrangements, passengers, mail, and cargo must be transferred from the plane of one carrier to that of the other, and the delay and expense are greatly increased when connections are missed. The evidence shows that the distances covered by the connecting services north and south of Balboa and the conditions of climate and terrain make these flights much more subject to delay than is the case on connecting services within the United States and that about 25 percent of the connections are missed. It is asserted that the relatively thin traffic potential over the routes both north and south of the Canal Zone does not permit the operation of

¹ United A. L. - Western A. E. Interchange of Equipment, *supra*.

a large number of schedules, and therefore the penalty for a missed connection is much greater than in the United States and generally involves at least an overnight delay at the Canal Zone. In the past when connections have been missed passengers have usually had to remain for several days awaiting an empty seat to permit onward passage. The evidence shows that during the period of 1½ years preceding the hearing, a great amount of time has been lost by passengers, and that a passenger's out-of-pocket living expense in the Canal Zone approximates \$20.00 per day.¹⁰ On the basis of traffic for the first half of 1946, an average of 23 passengers a day were subjected to the possibility of a missed connection. It appears from the record that missed connections are also costly to the carriers, since the aircraft that proceeds without being able to wait until the delayed ship arrives usually has many empty seats due to the fact that the space cannot be resold on short notice at Balboa where little traffic is generated.

[fol. 3215] The applicants point out that the difficulties of connecting service at Balboa will become more acute as schedules are speeded up by use of larger and faster equipment, and that this situation will become particularly aggravated when DC-6 sleeper planes are put into operation in 1947. It is asserted that the result in passenger inconvenience of a change of planes at Balboa would make sleeper service useless. However, these difficulties will be eliminated by the through flight service which will also avoid crowded conditions at Balboa, and eliminate the necessity for passengers passing through medical, immigration, and customs inspections, and the documentation required for clearing aircraft.

Only 4.5 percent of Panagra's passenger revenue is attributable to passengers between the United States and Buenos Aires who might possibly be attracted to Pan American's east coast service. With this exception Pan

¹⁰ The expense estimate does not take into account the expense to the travelling public from business time lost and from the disruption of arrangements based upon the scheduled arrival time at destination.

American has every motive to promote Panagra's service not only because of Pan American's position as a connecting carrier but also because of its substantial stock interest in Panagra. The evidence shows that Panagra's traffic procedures have been in part handled by Pan American; that the two companies use the same ticket, the same airway bill, and the same tariff provisions; and that Panagra uses the same operations' form of flight forecast, flight plan, and log as does Pan American.

The applicants estimate that the maintenance agreement whereby Pan American will do Panagra's maintenance work, will effect savings of about \$380,000 annually to Panagra and at the same time permit a further spread of overhead costs by Pan American. Panagra officials testified that its higher cost of maintenance at Lima has been the result of a number of factors, including its distance from sources of supply, requiring maintenance of abnormally large inventories. The cost of those inventories is substantially [fol. 3216] increased by the necessity of transporting materials from the United States. While the labor rate is less expensive than in the United States, Panagra's experience has shown that the per hour productivity is not comparable to that of United States' labor.

The record indicates that the situation as to training personnel is comparable to that in the field of maintenance, and Panagra estimates that this feature of the agreement will save it about \$150,000 a year. Panagra must now recruit many of its personnel in the United States, which problem has been made more difficult by the necessity of having all indoctrination and training in South America. It has been Panagra's experience that some men for one reason or another do not qualify for productive employment after their training period and it costs Panagra approximately \$3,500 per man to transport and train a new employee to South America and return him to his home when he proves unsatisfactory during the training period. By sharing training with Pan American at its base in Miami, Panagra will be assured that its personnel will be acceptable and ready immediately to commence employment when sent to South America. In addition, Panagra will be able to

bring its flight personnel into more direct contact both by initial training and by refresher courses with CAA radio range and standard domestic airline procedures. Panagra is of the opinion that a training program at Miami making possible more frequent visits to the United States will aid in the retention of its personnel and in the improvement of morale.

From its inception, Panagra has utilized the services of Pan American as sales agent in the United States. The agreement provides for the continuance of this arrangement and contemplates that Pan American and Panagra will undertake joint programs for the advertising of their respective routes and services. Panagra will receive adequate display of its name and routes and also have a voice in the [fol. 3217] formulation of the program. Provisions are made for designating specific individuals in the branch offices of Pan American to handle traffic on Panagra's routes and affirmative steps must be taken by Pan American to correct any complaints by Panagra. It is asserted that this feature of the agreement is in the interest of Panagra because, with the limited scope of its business, Panagra could not afford a sales coverage of anything like the same extent as that which Pan American can provide and at the same time that the arrangement is advantageous for Pan American since it provides a further volume of business over which the cost of maintaining facilities can be spread.

Concerning the competitive considerations, reference was made to the Crozier report¹¹ which shows that total traffic between all parts of the United States and the Canal Zone is about 46 passengers per day in each direction over the sector north of the Canal Zone. The applicants point out that they are now confronted with competition by Braniff and with a Braniff-National connecting service, and in addition that they are faced with competition by at least six foreign-flag carriers, namely, British Overseas Airways, FAMA, Peruvian International Airways, a

¹¹ "Overseas Air Traffic Pattern, Transcaribbean and Offshore-Island Areas" prepared by F. H. Crozier, Chief, Research and Analysis Division, Civil Aeronautics Board, August 1944.

Chilean airline, Taca de Colombia, and Avianca. Panagra points out that the through traffic represents at this time 51 percent of its passenger revenue, that there is every reason to believe that this through-traffic will increase, and that the relative importance of the through traffic to it will be further enhanced by developments in Latin America, [fol. 3218] which over a long term period seem destined to divert local South American traffic from it to local, national and European competitors. In this connection, attention is also directed to recent developments restricting Panagra's right of cabotage in South American countries. Panagra points to the fact that the total population of all the cities it serves is about 6,500,000, of which about 3,500,000 are in Buenos Aires, that it must maintain its position over an 8,800-mile route thinly populated in competition with Braniff and South American and European carriers, and that virtually every important city served by it is also served by local or foreign competitors.

The evidence of record is convincing that passengers between the United States and points on Panagra's routes are greatly inconvenienced both in time and expense by the necessity of changing planes at Balboa. The proposed through-flight service would eliminate immediately that inconvenience for all traffic using the Miami gateway—about 60 percent of the travel during the first half of 1946 between the United States and points on Panagra's route. The convenience to passengers will ~~increase~~ in the future with the use of larger and faster equipment and especially sleeper equipment. In addition, the participating carriers would derive substantial benefit and economies from the arrangement. Panagra, from the use of Pan American's maintenance bases and training facilities, and more extensive use of Pan American's sales organization and advertising coverage; Pan American will profit by the maintenance of Panagra aircraft permitting a further spread of overhead costs, while both will benefit from the improved service enabling them to develop more traffic and to compete more effectively with other carriers operating in the area.

The applicants represent that the agreement settles outstanding difficulties between the parties, which created an unhealthy condition in the internal affairs of Panagra, and which have been of concern to us.¹² Some of the interveners contend that the agreement is not the best solution, and that it is not possible to resolve these difficulties under the agreement. The question presented to us in this proceeding is whether this agreement is adverse to the public interest; not whether it or some possible future proposal is the preferable method of resolving a controversy. The applicants express themselves as satisfied that the controversy has been resolved and urge approval of the agreement as a settlement of their difficulties.

The contrast between conflicting views and actions of these parties in the *Panagra Terminal Investigation*, the record of which is admitted into this proceeding, and their espousal of this agreement as a satisfactory solution of their difficulties, is impressive as to their intent to resolve the controversy. We cannot, as the interveners urge, disregard such a manifestation and conclude that the agreement is not a settlement and will not work because an internal conflict has heretofore existed. Any action eliminating conflict and looking toward harmony is an improvement over the past situation and as such is beneficial to the public.

[fol. 3220] Upon the basis of the foregoing considerations and the benefits and economies which will result from the agreement, weighed against the consideration advanced by the interveners, we conclude that the general purpose and intent of the agreement is consistent with the public interest. However, there are certain specific provisions ancillary to the general agreement and which do not affect its general substance that require the imposition of terms and conditions or some statement of our views with respect thereto, in order that there be no misunderstanding of our action in approving the agreement.

Paragraph 13 of the through flight agreement contains provisions to negotiate agreements, the first of which re-

¹² *Panagra Terminal Investigation*, *supra*, and *Latin American Air Service*, *supra*.

lates to pooling of revenues from traffic between Buenos Aires and Montevideo and the United States. Such an agreement by its terms would be subject to the Board's approval. Pooling agreements like other agreements which tend to eliminate competition generally are contrary to the public interest, except in unusual circumstances. No unusual circumstances have been alleged in this instance and we do not deem it appropriate to take any action at this time which would indicate approval even in principle of pooling agreements before there is a specific factual situation presented to us. The provisions of the same paragraph relative to agreements for nonstop services between points on two different routes of the two carriers present a similar situation. In this proceeding no evidence of a need for nonstop services between routes of these carriers has been presented to the Board so as to warrant approval of this phase of the agreement even if only in principle.

[fol. 3221] Rather than indicate a tacit approval and perhaps lead to confusion in the minds of the parties here as well as of other members of the air transportation industry, we deem it desirable to disapprove paragraph 13 of the through flight agreement. The parties have made it clear that approval of the agreement is not contingent upon the approval of the principle of pooling and that this particular provision can be disapproved without affecting other phases of the agreement. During oral argument, counsel stated that there is no certainty that any agreement of this nature will ever be made but that it was inserted as a matter of full disclosure with the thought that if such agreement were later to be made and submitted, the parties would not want the Board to feel that there has been any lack of candor as to their intentions. In view of these circumstances, our approval of the through flight agreement is subject to the condition that paragraph 13 of that agreement shall be inoperative and deleted from the agreement.

During the hearing it was developed that there may be occasions when it will be necessary because of equipment damage or illness of crews for a Pan American plane to be flown by a Panagra crew or a Panagra plane to be flown

by a Pan American crew. Some concern was expressed regarding the safety aspects in such case, but witnesses for the applicants testified that the 4-engine equipment of each company which will be used is identical, having identical cockpit arrangement and instrument panels, with the exception of more oxygen outlets and a greater number of frequencies on radio equipment in the Panagra planes used in the southern portion of its South American route. The applicants' technical witnesses stated that it is desirable that the arrangement of the instrument panels and controls [fol. 3222] should be identical in all equipment used under this arrangement. In view of their expression and the fact that the occasions upon which this substitution of equipment or crews will be limited, we do not deem it necessary to require a condition that identical equipment be used. However, we will assume and expect that the parties will continue to require such uniformity of equipment in conformity with their testimony.

The through flight agreement contains a provision giving through traffic precedence over other traffic to be carried by the aircraft through the means of blocking off a specific number of seats and designated amount of mail and cargo capacity which will be designed to accommodate the through traffic. We recognize that this is an attempt to place in effect on a two-carrier operation a reservation system somewhat similar to that used by most carriers within their own route structure. It is possible that through the blocking off of an excessive number of seats on through schedules operated under the agreement and a reduction of the number of local schedules operated by Pan American between the Canal Zone and the United States, adequate service might be denied local passengers. Pan American under its certificate authorizing service between the United States and the Canal Zone is obligated to provide adequate service to passengers between those points, and its witnesses stated that it had no intention of neglecting or curtailing service for these passengers. If Pan American maintains sufficient schedules for local passengers, there may be no necessity for many local passengers to travel on the through schedules operated pursuant to this agree-

ment. However, the parties have indicated that it will be necessary to carry local passengers on some through schedules. Whether such a system will result in unfair discrimination against local traffic and inadequate service for [fol. 3223] such traffic can only be determined in the future. Therefore, our approval of this agreement is not to be construed as a specific approval of the preference provisions for the through traffic contained in the through flight agreement. Should discrimination against local traffic occur, the Board can upon complaint or upon its own motion investigate and remedy such practices.

The agreement is for a term of 99 years from the effective date, subject to termination under certain conditions. Counsel stated that the term was selected because it is typical of an agreement intended to be permanent. Air transportation in South America is undergoing changes through inauguration of additional services both by nationals and outside countries and the service pattern is not yet complete. It may well be that within a few years conditions will be entirely different from those present under which the agreement is being approved. In order to afford the greatest latitude in adjustment, if necessary, we will approve the agreement for a period of 99 years from the date of our order herein, at which time the Board with or without further hearing, if deemed appropriate, may extend the approval for such period as may be desirable in view of the circumstances at that time.

Paragraph 17 of the agreement contains provisions for payment for services performed by each party under the agreement. While rather detailed provisions have been set forth covering Panagra's compensation for flight equipment and crews furnished for operations under the agreement, the provision for payment by Panagra to Pan American for training and other services performed are not so definite. The agreement states that the parties will from time to time establish the amount of such payment as may be appropriate. Moreover, some of the accounting provisions [fol. 3224] designate terms and classifications without clear definition giving an elasticity which permits different interpretation. In view of these facts, it appears that the

public interest will be served by the parties reporting any changes in accounting under the agreement to the Board in accordance with the provisions of section 407 of the Act. Accordingly, the submission of such changes will be made a condition of approval of the agreement.

Upon the basis of the foregoing considerations and all the evidence of record, we find that the transaction consisting of a through flight agreement between Pan American Airways, Inc., and Pan American-Grace Airways, Inc., and the parent company agreement between W. R. Grace & Company and Pan American Airways Corporation, dated July 30, 1946, is not adverse to or inconsistent with the public interest, that such transaction does not result in creating a monopoly and thereby restrain competition or jeopardize another air carrier not a party thereto, and we therefore approve the agreements under provisions of sections 412 and 408 of the Civil Aeronautics Act subject to the following conditions:

1. That paragraph 13 of the through flight agreement is disapproved and shall be deleted from the agreement;

2. That approval of the agreements shall be for a term of 3 years from the date of the Board's order, at which time the Board without further hearing, if deemed appropriate, may extend the approval for such period as may be desirable at that time;

3. That any changes in accounting under the agreements even though considered minor by the parties shall be reported to the Board and directed to the Economic Bureau in accordance with section 407 of the Act;

[fol. 3225] 4. That agreements concerning agency fees, training, or other matters not previously agreed upon in the through flight agreement shall be filed with the Board in accordance with section 412 of the Act.

An appropriate order will be entered approving the agreements subject to the above conditions, and denying

the motion of Eastern Air Lines, Inc., that this proceeding, Docket No. 2423, be dismissed.

Landis, Chairman, Ryan, Branch and Lee, Members of the Board, concurred in the above opinion. Young, Member, did not take part in the decision.

[fol. 3226]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 317

Orders

Serial Number E-2651

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 30th day of March, 1949

Agreement C.A.B. No. 2450

In the matter of an agreement filed pursuant to section
412 (a) of the Civil Aeronautics Act between

PAN AMERICAN AIRWAYS, INC.

and

BRANIFF AIRWAYS, INC.

relating to the use of fork-lift at Brownsville, Texas

ORDER APPROVING AGREEMENT

The Board, upon consideration of Agreement C.A.B. No. 2450 between the above-named carriers, not finding the said agreement to be adverse to the public interest or in violation of the Civil Aeronautics Act:

IT IS ORDERED THAT:

Agreement C.A.B. No. 2450 be and it hereby is approved.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 3227]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 318,

Orders
Serial Number E-4130

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 4th day of May, 1950

Docket No. 3787

In the Matter of the Application filed by

PAN AMERICAN AIRWAYS, INC.

for a modification of the Board's Order Serial No. E-570
approving an agreement between Pan American Air-
ways, Inc., and Pan American-Grace Airways, Inc., and
a companion agreement between Pan American Air-
ways Corporation and W. R. Grace & Co.

Docket No. 4329

In the matter of the petition of

COUNCILS 10, 17, 26, 30, 36, 37, 53, 56, and 61, AIR LINE
PILOTS ASSOCIATION INTERNATIONAL (AFL)

ORDER EXTENDING APPROVAL OF AGREEMENT

The Board by Order Serial No. E 570, dated May 5, 1947, having approved for a term of three years from the date of such order an agreement between Pan American Airways, Inc. (Pan American), and Pan American-Grace Airways, Inc. (Panagra), known as the "Through Flight Agreement," relating to through one-plane service between the United States and certain points in South America, together with a companion agreement between Pan American Airways Corporation and W. R. Grace & Co.:

[fol. 3228] Pan American having filed an application seeking extension of Board approval of said agreements, as amended, for a period to July 1, 1960; and the Board having consolidated said application into the proceeding, known as the *National Route Investigation Case*, Docket No. 3500, for hearing and determination;

Petitions having been filed in Docket No. 4329 on behalf of Councils 10, 17, 26, 30, 36, 37, 55, 56, and 61 of the Air Line Pilots Association International (ALPA), requesting expeditious action and withdrawal of approval of the said Through Flight Agreement and denying further approval for any period subsequent to May 5, 1950, and in the alternative if the Board does not so act, pending the ultimate decision in Docket No. 3500 that the Board require that Pan American adequately compensate the Pan American pilots adversely affected by the operation of the Through Flight Agreement, and a petition and answer having been filed on behalf of Councils 38 and 83 of ALPA, requesting extension of the said Through Flight Agreement; and these petitioners having been granted leave to intervene in the *National Route Investigation Case*, Docket No. 3500, by Order Serial No. E 4088, dated April 20, 1950;

Panagra, on April 17, 1950, having filed in Docket No. 3787 an application for extension of the Pan American-Panagra Through Flight Agreement, pending the decision of the issues relating to that agreement in Docket No. 3500;

The Board, upon consideration of said application by Panagra, the various petitions and answers of the pilot

groups, and the Pan American-Panagra Through Flight Agreement, finding that:

[fol. 3229] (1) The issues raised by the petitions of the ALPA pilot groups in Docket No. 4329 will be fully heard and determined in the proceeding in the *National Route Investigation Case*, Docket No. 3500;

(2) The public interest requires that operations pursuant to the said Through Flight Agreement should not be suspended prior to such time as the Board has had an opportunity to consider and adjudicate the issues raised in the pending proceeding and any such suspension would result in hardship to the parties thereto, their employees, and the public;

(3) The consideration and adjudication in said issues will not be completed prior to May 5, 1950;

(4) The petitions do not set forth sufficient grounds to warrant the Board granting the requested relief of imposing conditions upon Pan American for the protection of Pan American pilots during operations under the Through Flight Agreement pending disposition of the issues raised by that agreement in Docket No. 3500.

IT IS ORDERED THAT:

1. The petition of Councils 19, 17, 26, 30, 36, 37, 55, 56, and 61 of ALPA in Docket No. 4329, be and it hereby is denied;

2. The approval granted to the agreement between Pan American and Panagra by Board Order Serial No. E-570, dated May 5, 1947, known as the Through Flight Agreement, together with a companion agreement between Pan American Airways Corporation and W. R. Grace & Co. be and it hereby is extended from and after May 5, 1950, until such time as the Board enters an order approving or disapproving the application of Pan American for the extension of said agreements, as amended, to July 1, 1960;

[fol. 3230] 3. The temporary approval granted herein relates only to the two agreements as approved by Order Serial No. E-570, dated May 5, 1947, and not to any sub-

sequent amendments thereto on which the Board has not yet acted and is subject to all the terms and conditions of said prior order.

By the Civil Aeronautics Board:

M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 3231]

PAN AMERICAN WORLD AIRWAYS, INC. Exhibit 319

Orders
Serial Number F. 4575

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 29th day of August, 1950.

Agreements C.A.B. Nos. 727 A, 727 A-2, 727 A-3, 727 A-4,
727 A-5, 727 A-7, and 727 A-8

Docket No. 3787

In the matter of Agreements filed pursuant to section
412(a) of the Civil Aeronautics Act involving

PAN AMERICAN AIRWAYS, INC.

and

PAN AMERICAN GRACE AIRWAYS, INC.
relating to through service at Balboa

ORDER APPROVING AGREEMENTS

The Board by Order Serial No. E-570, dated May 5, 1947, having approved for a term of three years from the date of such order an agreement between Pan American Airways, Inc. (Pan American), and Pan American-Grace Airways, Inc. (Panagra), known as the "Through Flight Agreement" relating to through one-plane service between the United States and certain points in South America, together with a companion agreement between Pan American Airways Corporation and W. R. Grace & Co.;

Pan American having filed an application for modification of the Board's Order Serial No. E-570 and seeking therewith an extension of Board approval of said agreements, as amended, for a period to July 1, 1960; and the Board having consolidated said application into the proceeding known as the *National Route Investigation Case*, Docket No. 3500, for hearing and determination;

Panagra having filed an application for extension of the Pan American-Panagra Through Flight Agreement, pending the decision of the issues relating to that agreement in Docket No. 3500; and the Board by Order Serial No. E-4130, dated May 4, 1950, having extended the approval granted by Order Serial No. E-570 from and after May 5, 1950, until such time as the Board enters an order approving or dis-
[fol. 3232] approving the application of Pan American for modification of Board Order Serial No. E-570 and extension of said agreements, as amended, to July 1, 1960; and

There having been filed with the Board pursuant to section 412(a) of the Civil Aeronautics Act and Part 261 of the Board's Economic Regulations certain additional amendments to the Pan American-Panagra Through Flight Agreement identified as Agreements C.A.B. Nos. 727 A, 727 A-2, 727 A-3, 727 A-4, 727 A-5, 727 A-6, and 727 A-8;

The Board, upon consideration of said amendments to the Pan American-Panagra Through Flight Agreement, not finding them to be adverse to the public interest or in violation of the Civil Aeronautics Act

IT IS ORDERED THAT:

Agreements C.A.B. Nos. 727 A, 727 A-2, 727 A-3, 727 A-4, 727 A-5, 727 A-7, and 727 A-8 be and they hereby are approved until such time as the Board enters an order approving or disapproving the application of Pan American for the modification of Board Order Serial No. E-570 and extension of the Pan American-Panagra Through Flight Agreement, as amended, to July 1, 1960; provided that the rates, charges, and allocations prescribed therein are subject to review by the Board for rate making purposes.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 323F]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 320

Orders
Serial Number E-5282

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 12th day of April, 1951

Docket No. 3785

In the Matter of an Application of
NATIONAL AIRLINES, INC.,
for approval of an interchange agreement with
PAN AMERICAN-GRACE AIRWAYS, INC.

Docket No. 3787

In the Matter of an Application of

PAN AMERICAN WORLD AIRWAYS, INC.

for a modification of the Board's Order Serial Number
E-570 approving an agreement between

PAN AMERICAN WORLD AIRWAYS, INC.

and

PAN AMERICAN-GRACE AIRWAYS, INC.

and a companion agreement between

PAN AMERICAN WORLD AIRWAYS, INC.

and

W. R. GRACE & Co.

ORDER APPROVING AGREEMENTS

A public hearing having been held on the applications for approval of the subject agreements, and the Board, upon consideration of the record, having issued its tentative opinion containing its findings, conclusions and decisions which is attached hereto and made a part hereof;

[fol. 3234] IT IS ORDERED THAT:

1. The Agreement in Docket No. 3785 between National Airlines, Inc. (National) and Pan American-Grace Airways, Inc. (Panagra) for the interchange of equipment be and it hereby is temporarily approved pending disposition of the proceeding in Docket No. 4882;

2. The Agreement in Docket No. 3787 between Pan American World Airways, Inc. and Panagra, known as the Through Flight Agreement, and a companion agreement between Pan American and W. R. Grace & Co. be and they hereby are temporarily approved pending disposition of the proceeding in Docket No. 4882;

3. The approvals granted herein are subject to the following terms and conditions:

(1) The through service provided pursuant to the agreements shall be one plane service, except in cases of emergency, on both northbound and southbound flights;

(2) Paragraph 14 of the National-Panagra agreement is disapproved and the approval of the financial provisions of said agreement is predicated on a rental charge to National for the lease of Panagra equipment based upon National's available seat mile costs for the type of equipment involved;

(3) The approval extends to the operation of the through flight known as the El Inter Americano between New York City, Washington, D. C., Miami, Florida and the cities on Panagra's routes listed in the proposed schedules submitted for the record; additional through service schedules shall be filed with the Board and served on each carrier serving a point on such proposed schedules 15 days in advance of the effective date of such schedules and operations under such schedules be not permitted until after they have been approved by the Board, such approval to be granted with or without hearing, as the Board may determine;

(4) The carriers shall comply with the "Requirements for Air Carrier Equipment Interchange" contained in Civil Air Regulations Draft Release No. 50-8, dated October 2, 1950, section 40.168, and any amendments thereto;

(5) The parties thereto should render adequate through service to each city to which service is rendered pursuant to said agreements;

(6) No operations under the agreements shall be discontinued without prior application to the Board and decision thereon, with or without hearing at the Board's discretion; provided that this condition does not apply to mere revisions of schedules which do not eliminate through service to any point for which it has been approved;

(7) The approval of the agreements granted herein shall terminate if at any time the Board finds that the continued

operation of the parties under said agreements or under any of their provisions would be adverse to the public interest, or in violation of the Civil Aeronautics Act of 1938, as amended, or of any rule, regulation, or order of the Board, now or hereinafter in effect;

[fol. 3235] (8) No through-plane operations other than those approved by the Board shall be conducted under the agreements and that, for this purpose, a flight with the same plane between any two points shall be deemed to be a through-plane operation between those points unless there is a layover at an intermediate point between said two points, such layover to be 1½ hours after scheduled arrival time or 1 hour after such actual arrival time, whichever is later;

(9) Board approval herein shall not be deemed a determination for rate-making purposes of the reasonableness of any of the costs or charges claimed by any carrier under the terms of the interchange agreement;

(10) All agreements modifying or supplementing the basic agreements approved herein shall be filed for Board approval at least 20 days prior to the proposed effective date of such modifying or supplementing agreements;

(11) The Board retains jurisdiction of this proceeding for the purpose of imposing from time to time such further terms and conditions as it may find to be just and reasonable and for the further purpose of requiring the submission of such special reports on the financial and operating aspects of the operations as the Board may from time to time order;

4. All parties and interveners may file exceptions and supporting briefs to the tentative opinion and order issued herein not later than 30 days after the date of service of this order;

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 3236]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 321

E-5282

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Served:

NATIONAL AIRLINES, INC.
PAN AMERICAN-GRACE AIRWAYS, INC.
INTERCHANGE AGREEMENT

Docket No. 3785

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AMERICAN-GRACE AIRWAYS, INC.
THROUGH FLIGHT AGREEMENT

Docket No. 3787

Decided: April 12, 1951

Equipment interchange agreement between National Airlines, Inc. and Pan American-Grace Airways, Inc. (Docket No. 3785) found to be in the public interest and not to create a monopoly or be in violation of the Civil Aeronautics Act. Agreement tentatively approved.

Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. (Docket No. 3787) found to be in the public interest and not to create a monopoly or be in violation of the Civil Aeronautics Act. Agreement tentatively approved.

Parties and interveners in Dockets Nos. 3785 and 3787 given 30 days from date of service of order in which to file exceptions and briefs to tentative decision in herein.

Appearances:

John W. Cross and *Richard A. Fitzgerald*, for National Airlines, Inc.

Charles H. Murchison, *Robert F. Hankins*, and *Macon M. Arthur*, for Capital Airlines, Inc.

R. S. Maurer and *L. E. Black, Jr.*, for Chicago and Southern Airlines, Inc.

Stanley Gewirtz, for Colonial Airlines, Inc.

Robert L. Griffith, *D. F. Kell*, *E. V. Moore*, and *Todd G. Cole*, for Delta Air Lines, Inc.

E. Smythe Gambrell, *W. Glen Harlan*, and *H. L. Russell*, for Eastern Air Lines, Inc.

Theodore I. Seamon, for Florida Airways, Inc.

Gerhard A. Gessel, *Charles F. Barber*, and *John J. Burns*, for Pan American-Grace Airways, Inc.

Henry J. Friendly and *J. Howard Hamstra*, for Pan American World Airways, Inc.

[fol. 3237] *Hubert A. Schneider*, for Braniff Airways, Inc.

Alex Hart and *Wilbur LaRoe, Jr.*, for the Port of New York Authority.

H. E. Boyd, for City of Wilmington, North Carolina.

H. R. Webb and *W. A. Harding*, for City of Norfolk, Virginia.

W. W. Balcom, for City of Tampa, Hillsborough County Aviation Authority, and Greater Tampa Chamber of Commerce.

James E. Mooney, for the Bureau of Aeronautics, Pinellas County and the Cities of St. Petersburg and Clearwater, Florida.

W. S. Johnson, for the Chamber of Commerce, Jacksonville, Florida.

Henry F. Church, and *B. A. Moore*, for the City of Charleston, South Carolina.

W. Scott Christopher, for the Miami Chamber of Commerce, Miami Beach, Florida.

Dan W. Quinn, for the Association of Commerce, New Orleans, Louisiana.

Frank I. McDonough, for the City of Richmond, Virginia, and the Richmond Chamber of Commerce.

Edward J. Hickey, Jr., for the International Association of Machinists and the Brotherhood of Railway and Steamship Clerks.

John B. Lampe and *Clarence Skjenn*, for the Air Line Pilots Association, International and the Airline Pilots in the Service of Pan American World Airways, Inc.

Lambert S. O'Malley and *Caroleau Just* for the Department of Justice.

Alexander G. Hardy, and *Frederick W. Bechtold*, Public Counsel.

OPINION

BY THE BOARD:

This opinion involves our consideration of two agreements which would provide through service between New York and South American points over routes of National Airlines, Inc. (National), Pan American World Airways, Inc. (Pan American), and Pan American-Grace Airways, Inc. (Panagra) utilizing aircraft of Panagra. Herein we will set forth our tentative findings and decision with respect to the approval of these agreements on the basis of the records certified to us pursuant to the opinion in Docket No. 3500 and accompanying Order Serial No. E-5205, dated March 18, 1951.¹ Before issuance of a final decision on this issue we shall give all the parties who were formal interveners in the consolidated proceeding in Docket No. 3500 the opportunity to except to these tentative findings and to file briefs in support of such ex-

¹ The opinion and accompanying Order Serial No. E-5205 set forth in detail the interveners and the various procedural steps in the consideration of these agreements.

ceptions. Such exceptions and briefs are to be filed within 30 days of the date of service of this tentative opinion and order.

The first agreement (Docket No. 3785) is an arrangement between National and Panagra providing for the lease of Panagra planes to National for operation over the routes of the latter between Miami and New York. The second (Docket No. 3787) is the agreement between Pan American and Panagra for the amendment of the contract known as the *Through Flight Agreement* under which through one-plane service is provided with Panagra aircraft over the routes of the two carriers between Miami and South American points. The latter, in order to provide through service between New York and South America, also provides for the operation of Panagra aircraft over the routes of National pursuant to the agreement in Docket No. 3785. Both agreements as hereinafter determined require our approval under section 408 and section 412 of the Act.

Application of Sections 408 and 412 to the Agreements:

Section 412 of the Act is clearly applicable to both agreements. They meet the jurisdictional tests of that section as to parties, subject matter, and effect on air transportation. In addition, the parties have sought approval under this section. Such section requires us to approve the agreements unless we find them to be adverse to the public interest or in violation of the Act.

[fol. 3239] Section 408(a)(2) of the Act provides that it shall be unlawful unless approved by the Board:

"For any air carrier . . . to purchase, lease or contract to operate the properties, or any substantial part thereof, of any air carrier."

An agreement between air carriers providing for interchange of air craft for through-plane operations over each other's routes constitutes a lease of properties within the meaning of this paragraph. *TWA-Delta—Interchange of Equipment*, 8 CAB 857 (1947). The term "substantial part"

is relative and its content must be governed by the circumstances of each particular case. *United Western Interchange of Equipment*, 1 CAA 723, 726-727 (1940). In *Capital National Interchange of Equipment Case* (Docket No. 3291), the Board held that the leasing, at the outset, of 3 per cent and 6 per cent of the total assets of Capital and National, respectively, constituted a substantial portion of the properties of both carriers within the meaning of section 408. Likewise, in the *Delta American Interchange case* (Docket No. 3600), the Board held that a lease of 3 and 1 per cent of total assets constituted a substantial portion of the properties of the respective carriers involved. It appears in this case that a substantial part of the properties of Panagra will be leased and that approval of the agreements under section 408 is required. More than 3 per cent of Panagra's total assets will be involved and aircraft valued at 17 per cent of its total aircraft.

Under section 408(b) of the Act, the Board shall approve the agreements unless it finds that the transactions will not be consistent with the public interest or that they would result in creating a monopoly or monopolies and thereby restrain competition or jeopardize another carrier not a [fol. 3240] party thereto.

It is clear from Board precedent that the test of the public interest to be applied under both sections 408 and 412 of the Act is the same. In each case, the standard has reference primarily to the policy objectives of the Act laid down in section 2. It thus makes no difference with respect to the test of the public interest that the Board has jurisdiction of the agreements under two sections of the Act.

At the outset, we can dispose of two of the statutory issues raised by sections 408 and 412 of the Act. The first of these is the issue of monopoly. This has reference to a degree of control of air transportation within a given area. Undoubtedly, approval of the agreements before us would give Panagra an advantage in control of traffic moving between New York and South American points. However, we do not believe that this advantage would go so far as to create a monopoly within the meaning of section 408

which would restrain competition or jeopardize another air carrier. This is particularly true in the light of the fact that we are considering approval of the agreements only for a temporary period and have instituted an inquiry to work out a more long-range program of through service in the area.

The second such issue is the requirement of section 412 that the agreements not violate the Civil Aeronautics Act. We find nothing in the agreements in violation of the Act.

Benefits to the Traveling Public:

The merits of through-plane service have been recognized and approved by the Board in a number of previous decisions. This is the first time, however, that through plane service by means of interchange of equipment via an international gateway has been before us for consideration.

The problems of government clearance encountered at international gateways obviously affect to some extent the advantages of through service by interchange which have been previously found to exist in domestic travel. Clearly, the mere fact that through service is available does not reduce the time required at the gateway for the passengers to disembark and go through health, immigration, and customs checks. This is true even if a customs arrangement for sealing through baggage is obtainable, since a customs check of personal baggage must be made in any event. However, these factors merely tend to diminish to some extent the advantages which such service provides in domestic situations. They do not eliminate the advantages. There is still a definite benefit to the traveling public in removing the possibilities of missed connections flowing out of connecting service and assuring passage to an ultimate destination. The parties here also believe that they will be able to cut down on the layover time at Miami which exists with the present connecting service. In addition, there can be no

² Pan American-Panagra Agreement, *supra*, TWA-Delta, Equipment Interchange, *supra*.

question that there is a strong public desire for through service at the Miami gateway. This fact was reflected in the spot traffic surveys included in the record of the proceeding. Thus, a through-plane operation such as here involved not only furnishes the public with a type of service it desires, but also provides the carriers with a good advertising medium which will tend to stimulate through traffic between Latin America and the east coast of the United States.

[fol. 3242] The record indicates that there is a substantial volume of traffic to benefit from such a through-plane service. During the period June through October 1949, an average of 50 passengers per day moved between Miami and Balboa on the Pan American-Panagra through flight. Of that number 49 passengers per day were destined to or moved from New York and Washington, D. C. In the light of the fact that the Panagra-Pan American through flight arrangement between Latin America and Miami has shown a 20 per cent increase in traffic over the prior connecting service, it is reasonable to forecast that the Panagra-National interchange would carry in excess of 58 passengers daily in the near future.

Although the applications on file with the Board state that the parties seek to provide through one-plane service, the proposed schedules and equipment utilization charts submitted during the hearing reflect no through one-plane service northbound. In support of these proposed schedules, however, the parties seek to emphasize that through service with two aircraft is as equally effective as a through one-plane service. We are unable to agree with this contention. In our opinion the advantages of through plane service at an international gateway are considerably lessened if that service is to be provided with two aircraft rather than by a single aircraft. Therefore, we conclude that it would be in the public interest for the parties to provide through one-plane service in each direction under the agreements.

Effect on Other Carriers:

In certificating Braniff to provide service between the United States and South America, the Board stated that Braniff would also connect with National at Havana and thus provide an excellent connecting service for traffic from the eastern part of the United States which would compete [fol. 3243] directly with the service of Eastern and Pan American connecting at Miami. The Havana connection is important to Braniff from a traffic standpoint. The record shows that for the six months period April through September 1949, Braniff received, as its share of the traffic connecting at Havana, revenues in the amount of approximately \$196,000. This constituted 16.7 per cent of Braniff's total Latin American revenue during that period. Hence, the approval of the interchange operation contemplated by the agreements before us upon a long term basis would imperil this important source of Braniff's revenue, thus seriously affecting Braniff's ability to compete with Panagra for traffic between Latin American and the northeastern areas of the United States.

In view of the foregoing, it may not be in the public interest to approve the proposed agreements upon a long term basis without providing Braniff with adequate access to the traffic involved. For that reason, in Order Serial No. E-5205, we instituted a proceeding to consider the possible extension of Eastern or Braniff between Miami and Havana and an interchange operation involving those carriers which would provide through service over their routes between New York and Latin America. We further consolidated into the proceeding the applications for approval of the present agreements except for the issue of temporary approval now before us. This proceeding will go forward immediately and will be expedited toward a decision. In the meantime, we believe that the advantages flowing from temporary approval of the present interchanges would more than offset any temporary injury to Braniff that may result.

[fol. 3244] Eastern also claimed a substantial diversion in its passenger revenues resulting from approval of these

agreements. The estimate which it gave in the record amounted to more than \$8,000,000 annually. However, this estimate was predicated upon an approval of not only the present agreements but also the proposed through service agreement between Pan American and National and the local service agreement providing for flights between Miami and New York with Pan American aircraft. These other possibilities are now moot, so that the potential diversion from Eastern would be substantially less than that forecasted.

Moreover, in the proceeding commenced by Order Serial No. E 5205 cited above, we will consider the Braniff Eastern interchange operation which would operate competitively with the National Panagra Pan American interchange, and which would give each group of carriers an equal opportunity for the New York Latin American traffic. Eastern has also filed for approval of an agreement between it and Pan American which would provide a through service between the same areas. That application will be heard simultaneously with the other interchange issues. In the meantime, we do not believe that the record will support a showing of substantial injury to Eastern arising out of a temporary approval of the present agreements.

Safety of the Proposed Operation:

The record indicates that the through service operation under the two agreements meets the requirements of section 2 with respect to safety in air transportation. The Pan American Through Flight Agreement has been in operation for a substantial period of time, and experience thereunder confirms the safety of such an operation.

3325. To further insure the highest degree of safety in air transportation we shall provide as a condition of approval of the agreements that the carriers conform to the requirements of the proposed section 40.168 of the Civil Air Regulations relating to air carrier equipment interchanges, and any amendments thereof.

Financial Provisions:

The charges to be paid Panagra by National for the lease of the latter's aircraft are based upon Panagra's cost for operating such aircraft. In addition, National will pay Panagra a rental based upon a fair and reasonable return on its investment for such equipment. National's treasurer emphasized that the cost of operating DC-6's and DC-4's under the interchange would be about 15c to 20c a plane mile higher than the cost National would incur in operating its own equipment of the same type over the same routes. It is National's opinion that the charge to National for flying Panagra's aircraft over National's routes should be based on National's costs. It was on this basis that National approached the negotiations. The latter expressed the willingness to agree to a charge based on the domestic average cost of the type of equipment involved. However, Panagra would not agree to this. The only argument that National now makes for seeking approval for these high costs is that they have made a deal with which they intend to abide.

We do not believe that it would be in the public interest in the circumstances of this case to approve an operation [fol. 3246] over National's routes based upon a charge to National other than its own costs to operate the same type of equipment. National is a low-cost operator. To now permit it to fly Panagra's equipment at greatly increased cost might have a serious effect upon its financial future. Moreover, approval of this type of agreement might establish a precedent whereby a high cost operator would always tend to impose its costs upon a low-cost carrier in any interchange agreement. Such a result would not lead to the fostering of sound economic conditions in the air transport industry in accordance with the mandates of section 2 of the Act.

We will approve the agreement on the basis of charges reflecting National's costs. These should be available seat-mile costs because of the differences in the available seats on each carrier's equipment. Panagra's DC-6's have 52 seats and its DC-4's have 46 seats as compared to National's 58 seats in each type of aircraft.

Under their original agreement National and Panagra agreed to submit to the Board any unresolved questions between them as to the terms of the agreement for binding determination in such manner as the Board should direct. This provision had reference primarily to the rate of return to be paid by National to Panagra for lease of the latter's aircraft. There was subsequently submitted an agreement signed by the presidents of the two companies providing for a rate of return equalling 10 per cent of the gross passenger revenue accruing to National with certain ceilings thereon. There is also a provision that if in a mail rate proceeding the Board should disallow National all or any part of the payments to Panagra for a return on investment, the amount so disallowed shall be refunded. The practical effect of this agreement would be to leave to appropriate mail rate proceedings the final adjustment of [fol. 324] the amounts paid under this category. Such an approach to the problem is within the requirements of the public interest. Pending such a final determination we cannot find that the rate provided in the supplementary agreement is unreasonable.

Other Provisions:

Paragraph 14 of the National-Panagra Agreement restricts the right of each carrier to enter into interchange arrangements with any other carrier without the written consent of Panagra or National. We have consistently found restrictive provisions in contracts between carriers to be contrary to the public interest and so find with respect to this provision.

The proposed schedules contemplate one daily DC-6 flight (El Inter Americano) in each direction between Buenos Aires and New York. Panagra is also entitled under the agreement to require National to charter its aircraft for such additional number of through flights as may be "reasonably needed" for the convenient handling of through traffic (Panagra interchange agreement, paragraph 2(a), p. 4). Panagra can require National to continue to operate the additional through flight schedules with Panagra equip-

ment at load factors which National would consider uneconomic (Panagra interchange agreement, p. 6) by merely reimbursing National for the excess direct flying cost (including rental) and out-of-pocket in-flight cost on any such schedule over the revenues received by National from such schedule (Id., p. 6). In the alternative, Panagra may withdraw such schedule. So long as its own schedules shall be operating, National shall be obligated to operate the initial through flights specified by Panagra (Id., paragraph 2(a), p. 5). Under this language, the record shows that National could be forced to cut down schedules on its New [fol. 3248] York-Miami route, operated with its own equipment, and substitute therefor Panagra equipment (Trippe, Tr. p. 3638).

These provisions could make National a mere conduit for Panagra equipment to be flown by Panagra crews from Miami to New York. They could cause the immobilization of a number of National aircraft now operating on Route 31 if such aircraft could not be absorbed on other segments of National's route pattern. The cost crediting arrangement does not remove the vice of these provisions. It simply determines the price National will get for surrendering its right to schedule its own equipment over its own route. Such consequences could be adverse to the public interest and could have a drastic effect on National's mail pay need.

Therefore, we believe that we should retain sufficient control of the situation to prevent the development of the possible results cited above. To this end we find that Panagra and National should submit to us for prior approval proposed through service schedules in addition to the El Inter Americano flight. This would not apply, of course, to extra sections or additional schedules of an emergency nature that were intended to operate only a few times.

We further find that the conditions which are normally applied to our approval of interchange operations should also be applied to the proposed operation here.

The Air Line Pilots Association (ALPA) has appeared to oppose approval of the two agreements on the ground that they do violence to the employment contracts between

the pilots and the carriers and cause injury to some pilot [fol. 3249] groups. A study of the record would indicate that this position is based primarily on the Panagra crews flying the Panagra equipment over the routes of Pan American and National. On the record before us we are not prepared to find that such procedure is in violation of any collective bargaining agreements outstanding. Nor does it appear to produce any inequities which offset the advantages of such procedure from an operating standpoint. Finally, the ALPA witness testified that there were no difficulties present which could not be settled by direct negotiation with the carriers. Under these circumstances we find that there is nothing in the ALPA position which warrants our disapproval of the agreements.

On the basis of the foregoing and all the facts of record, we find that approval of the National Panagra interchange agreement and the amended Pan American-Panagra Through Flight Agreement, pending disposition of the proceeding in Docket No. 4882, is in the public interest, is not in violation of the Civil Aeronautics Act, and will not create a monopoly or monopolies and thereby jeopardize another air carrier not a party thereto. Accordingly, the agreements are temporarily approved, subject to the modifications and conditions set forth herein. The same findings are applicable to the agreement between W. R. Grace & Co. and Pan American, which is a part of the Through Flight arrangement.

An appropriate order will be entered.

Rentzel, Chairman, Ryan, Lee, Adams, and Gurney, Members of the Board, concurred in the above opinion.

3330

[fol. 3250]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 322

Orders

Serial Number E-5842

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 8th day of November, 1951

Agreements CAB Nos. 220 A-2, 267, 267 A, 267 A-2 through
A-7, 2473, 3763, 4499, 4768, 5092, 5367.

In the Matter of Agreements filed under Section 412(a)
of the Act by and between

PAN AMERICAN WORLD AIRWAYS, INC.
FOREIGN AIR CARRIERS, AND OTHER CARRIERS
relating to general agency matters

ORDER APPROVING AGREEMENTS

Upon consideration of the Agreements CAB Nos. 220
A-2, 267, 267 A, 267 A-2 through A-7, 2473, 3763, 4499,
4768, 5092, 5367, between Pan American World Airways,
Inc., various foreign air carriers, and another air carrier,
filed pursuant to Section 412 of the Civil Aeronautics Act
of 1938, and

The Board finding that said Agreements are not adverse
to the public interest nor in violation of the said Act;

IT IS ORDERED, That said Agreements be and hereby
are approved.

By the Civil Aeronautics Board.

/s/ M. C. MULLIGAN

M. C. Mulligan
Secretary

(SEAL)

[fol. 3251]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 323

Orders
Serial Number E 6048UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 22nd day of January, 1952

Agreement CAB No. 2272 et al.

In the matter of Agreements filed pursuant to section 412(a)
of the Civil Aeronautics Act involving—

PAN AMERICAN-GRACE AIRWAYS, INC.,

and

PAN AMERICAN WORLD AIRWAYS, INC.
VARIOUS OTHER AIR CARRIERS AND OTHER CARRIERS,

relating to intercompany arrangements.

ORDER APPROVING AGREEMENT

There having been filed with the Board pursuant to section 412
(a) of the Civil Aeronautics Act and Part 261 of the Board's Economic
Regulations certain agreements between various carriers as indicated
below:

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
2272	Pan American-Grace Airways, Inc. Pan American World Airways, Inc.	Purchasing and ship- ping facilities
3447	Delta Air Lines, Inc. K.L.M. Royal Dutch Airlines	Employee reduced rate vacation travel

CAB No.	Parties	Subject
4773	Pan American World Airways, Inc. Imperial Oil, Ltd. Esso Export Corporation British Overseas Airways Corporation	Fuel tankage facilities, Gander, Newfoundland
4965	Acme Fast Freight, Inc. Acme Air Cargo, Inc.	Joint facilities at various domestic point
5527	Pan American World Airways, Inc. Panair do Brasil, S.A.	Liability for lost engines
5563	Chicago and Southern Air Lines, Inc. Pan American World Airways, Inc.	Cooperative advertising program
[fol. 3252]		
5665	United Air Lines, Inc. Eastern Air Lines, Inc.	Temporary personnel transfer
5689	The Flying Tiger Line, Inc. Riteway Express Co., Inc.	Air Freight Agency
5564	Chicago and Southern Air Lines, Inc. Southern Airways, Inc.	Cooperative advertising

The Board, upon consideration of said agreements, not finding them to be adverse to the public interest or in violation of the Civil Aeronautics Act:

IT IS ORDERED THAT:

The agreements listed above be and they hereby are approved.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 324

Orders
Serial Number E-6476UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 3rd day of June, 1952.

Agreement CAB No. 5210-A3 et al.

In the matter of Agreements filed pursuant to section 412(a)
of the Civil Aeronautics Act involving—

TRANS WORLD AIRLINES, INC.

and

BRITISH OVERSEAS AIRWAYS CORPORATION

VARIOUS OTHER AIR CARRIERS AND OTHER CARRIERS
relating to intercompany arrangements.

ORDER APPROVING AGREEMENTS

There having been filed with the Board pursuant to section 412(a)
of the Civil Aeronautics Act and Part 261 of the Board's Economic
Regulations certain agreements between various carriers as indicated
below:

CAB No.	Parties	Subject
5210-A3	Trans World Airlines, Inc. British Overseas Airways Corporation	Ground transportation of passengers, London, England
6447	Trans World Airlines, Inc. Aerolineas Argentinas FAMA	Joint ticket office, Madrid, Spain

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
4733-A1	Pan American World Airways, Inc. United Air Lines, Inc.	Ground services, Philadelphia, Pa.
2813-A5	Pan American World Airways, Inc. United Air Lines, Inc.	Engine overhaul, San Francisco, Calif.
6148	The Flying Tiger Line, Inc. Goldstein Refrigerator Line	Airfreight agency, Denver, Colo.
6149	The Flying Tiger Line, Inc. City Transfer and Storage Co.	Airfreight agency, Seattle, Wash.
6151	The Flying Tiger Line, Inc. Brazilian International Airlines	Interline cargo
[fol. 3254]		
6152	Braniff Airways, Inc. Slick Airways, Inc.	Emergency maintenance, Dallas, Texas
3555-A1	United Air Lines, Inc. West Coast Airlines, Inc.	Joint facilities, Bellingham, Wash.
5879-A1	United Air Lines, Inc. American Airlines, Inc.	Stewardess lounge, Newark, N. J.
6154	United Air Lines, Inc. The Belt Railway Company of Chicago	Lease of land parcels, Cook County, Ill.
6155	U. S. Airlines, Inc. Transportes Aereos Nacionales, S. A.	Interline freight
6156	National Airlines, Inc. Aerovias Nacionales de Colombia, S. A. (AVIANCA)	Interline traffic
6157	National Airlines, Inc. Delta Air Lines, Inc.	Interline traffic and baggage
6158	Braniff Airways, Inc. Pioneer Air Lines, Inc.	Power unit, Waco, Texas
6159	Air Cargo, Inc. Airline Car Rental, Inc. and three air carriers	Pickup and delivery, Shreveport, La.

CAB No.	Parties	Subject
1453-A4	Air Cargo, Inc. Daniel Hannan Drayage Co. and five air carriers	Pickup and delivery, St. Louis, Mo.
5875-A1	Air Cargo, Inc. The Fleet Transfer Co. and eight air carriers	Pickup and delivery, Baltimore, Md.
6160	American Airlines, Inc. Provincetown Boston Airline	Interline traffic
6161	Delta Air Lines, Inc. Southern Airways, Inc.	Disposal unit, Atlanta, Ga.
6162	Central Airlines, Inc. Delta Air Lines, Inc.	Interline baggage
[fol. 3255]		
6163	Central Airlines, Inc. Lake Central Airlines, Inc.	Inter-line traffic
6164	United Air Lines, Inc. E. W. Wiggins Airways, Inc.	Lease of space, Boston, Mass.
6165	Frontier Airlines, Inc. Trans-Texas Airways	Joint station operation, El Paso, Texas
6166	Mid Continent Airlines, Inc. Wisconsin Central Airlines, Inc.	Lounge space, Minneapolis, Minn.
6167	United Air Lines, Inc. Reeve-Mentian Airways, Inc.	Interline traffic
6168	American Airlines, Inc. Swiss Air Transport Co., Ltd.	In-bound transfers, New York, N. Y.
6169	United Air Lines, Inc. Mid Continent Airlines, Inc.	Use of air condition- ing unit, Des Moines, Iowa
6170	Northwest Airlines, Inc. All American Airways, Inc.	Emergency mainte- nance, International airport, New York, N. Y.

3336

CAB No.	Parties	Subject
6171	Air Cargo, Inc. Taylor Taxi, Inc. and two air carriers	Pickup and delivery. Helena, Mont.
6172	Air Cargo, Inc. Howard Fairchild, an individual, United Air Lines, Inc.	Pickup and delivery. Cedar Rapids, Iowa
6173	Air Cargo, Inc. Herbert Barry, an individual, Northwest Airlines, Inc.	Pickup and delivery. La Crosse, Wis.
4511-A4	Air Cargo, Inc. Shields Motor Lines and five air carriers	Pickup and delivery. Pittsburgh, Pa.
6031-A1	Pan American World Airways, Inc. National Greek Airlines, TAE	General Agency
6032	Pan American World Airways, Inc. Lineas Aereas Costarricenses, S. A.	General Agency
[fol. 3256]		
2193-A	Braniff Airways, Inc. KLM, Royal Dutch Airlines	Settlement of ac- counts in Brazilian currency
6057	Pan American World Airways, Inc. Northwest Airlines, Inc. Philippine Air Lines, Inc. Canadian Pacific Air Lines, Ltd.	Fares, rates and charges collected in Hong Kong
1331	Colonial Airlines, Inc. Railway Express Agency, Incorporated	International air freight traffic
6433	Pan American World Airways, Inc. Pan American-Grace Airways, Inc.	Handling of passen- ger sales on a lift basis
5553	Aerovias Sud Americana, Inc. Servicios Aereos, S. A.	Ground services
5088-A2	Pan American World Airways, Inc.	Lease of aircraft
5088-A3	Capital Airlines, Inc.	
5088-A4		

CAB No.	Partic	Subject
6115	Pan American World Airways, Inc. Air Tahiti	General Agency

The Board, upon consideration of said agreements, not finding them to be adverse to the public interest or in violation of the Civil Aeronautics Act:

IT IS ORDERED THAT:

The agreements listed above be and they hereby are approved.

By the Civil Aeronautics Board:

78/ M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 3257.]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 325

Orders
Serial Number E 6587

**UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.**

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 9th day of July, 1952.

Agreement CAB No. 6256, et al.

In the matter of Agreements filed pursuant to section 412(a)
of the Civil Aeronautics Act involving

PAN AMERICAN WORLD AIRWAYS, INC.

and

CIE DE TRANSPORTES AERIENS INTERCONTINENTAUX
VARIOUS OTHER AIR CARRIERS AND OTHER CARRIERS

relating to intercompany arrangements.

ORDER APPROVING AGREEMENTS

There having been filed with the Board pursuant to section 412(a) of the Civil Aeronautics Act and Part 261 of the Board's Economic Regulations certain agreements between various carriers as indicated below:

CAB No.	Parties	Subject
6256	Pan American World Airways, Inc. Cie de Transportes Aeriens Intercontinentaux	Interline traffic
6257	Slick Airways, Inc. and Edward Gromand, an individual.	Pickup and delivery, Dayton and Columbus, Ohio
2134-A3	Capital Airlines, Inc. United Air Lines, Inc.	Maintenance, Milwaukee, Wisconsin
5840-A1	Northwest Airlines, Inc. Thomas Anderson Transportation Company	Pickup and delivery, Anchorage, Alaska
267-A9	Pan American World Airways, Inc. Panair do Brasil, S. A.	General Agency amendment
[fol. 3258]		
5788-A1	Air Cargo, Inc. Ellis Package Delivery and 2 air carriers	Pickup and delivery, Sacramento, California
6221-A1	United Air Lines, Inc. Lake Central Airlines, Inc.	Interline traffic
6258	Western Air Lines, Inc. Seaboard & Western Airlines, Inc.	Aircraft overhaul
6259	Slick Airways, Inc. Flete Internacional Corp.	Airfreight agency
2767-A1	Chicago and Southern Air Lines, Inc. American Airlines, Inc. Central Airlines, Inc. with the following:	Termination, gasoline storage, Memphis, Tennessee

CAB No.	Parties	Subject
6230	A. B. Aero Transport	Interline traffic
6231	Braniff Airways, Inc.	Interline traffic & baggage
6232	British Commonwealth Pacific Airlines Limited	Interline traffic
6233	British European Airways	Interline traffic & baggage
6234	Canadian Pacific Air Lines, Limited	Interline traffic & baggage
6235	Chicago and Southern Air Lines, Inc.	Interline traffic & baggage
6236	Det Danske Luftfartsselskab A S	Interline traffic
6237	Det Norske Luftfartsselskap A S	Interline traffic
6238	East African Airways Corp.	Interline traffic & baggage
6239	Eastern Air Lines, Inc.	Interline traffic & baggage
6240	Iraqi Airways	Interline traffic & baggage
[fol. 3259]		
6241	KLM Royal Dutch Airlines	Interline traffic & baggage
6242	New Zealand National Airways	Interline traffic
6243	Northwest Airlines, Inc.	Interline traffic & baggage
6244	Pan American-Grace Airways	Interline traffic & baggage
6245	Tasman Empire Airways	Interline traffic
5896-A2	Pan American World Airways, Inc.	Interline baggage
6246	Trans Canada Air Lines	Interline traffic & baggage

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
6066-A1	Trans World Airlines, Inc.	Interline baggage
6247	Compagnie Nationale Air France	Interline traffic & baggage
6183-A1	United Air Lines, Inc.	Interline traffic & baggage
6248	SABENA	Interline traffic
6249	Aerovías Nacionales de Colombia, S. A.	Interline traffic
6250	Aviación y Comercio, S. A.	Interline traffic
6163-A1	Lake Central Airlines, Inc.	Interline baggage
6251	Japan Air Lines Company, Ltd.	Interline traffic
6252	Servicios Aéreos Cruzeiro do Sul, Ltda.	Interline traffic
6253	El-Al Israel National Airlines Company, Ltd.	Interline baggage
6162-A1	Delta Air Lines, Inc.	Interline traffic
6254	Scandinavian Airlines System	Interline traffic
6255	South African Airways	Interline traffic & baggage

[fol. 3260] The Board, upon consideration of said agreements, not finding them to be adverse to the public interest or in violation of the Civil Aeronautics Act:

IT IS ORDERED THAT:

The agreements listed above be, and they hereby are approved.

By the Civil Aeronautics Board:

M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

[fol. 3261]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 326

Orders

Serial Number E 6945

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 7th day of November, 1952

Agreement C.A.B. No. 676

PAN AMERICAN-GRACE AIRWAYS, INC., AEROVÍAS NACIONALES
DE COLOMBIA, AEROPUERTO DE CALI, LIMITADA.

Agreements C.A.B. Nos. 1665, 1665-A

PAN AMERICAN-GRACE AIRWAYS, INC.,
AEROVÍAS NACIONALES DE COLOMBIA.

ORDER

There having been filed with the Board, under section 412(a) of the Civil Aeronautics Act of 1938, as amended, an agreement between Pan American-Grace Airways, Inc., Aerovías Nacionales de Colombia and Aeropuerto de Cali, Limitada concerning the construction and rental of Cali Airport, Bogota, Colombia (C.A.B. No. 676) and an agreement between Pan American-Grace Airways, Inc., and Aerovías Nacionales de Colombia for the joint use of airport facilities at certain locations in Colombia and Ecuador (C.A.B. Nos. 1665, 1665-A);

The Board not finding these agreements to be adverse to the public interest or in violation of the Civil Aeronautics Act;

IT IS ORDERED THAT, Agreements C.A.B. Nos. 676, 1665 and 1665-A be and they hereby are approved, subject to the condition that such approval shall not in any manner or for any purpose, including mail rate making, be a determination of the reasonableness of any of the costs or charges included in the agreements.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN

M. C. Mulligan
Secretary

(SEAL)

[fol. 3262]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 327

Order No. E-7765

[Handwritten notation—2105.1 Panagra]

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board,
at its office in Washington, D. C.
on the 17th day of February, 1953

Agreement C.A.B. No. 664 et al.

In the matter of Agreements filed pursuant to section 412(a)
of the Civil Aeronautics Act involving—

PAN AMERICAN-GRACE AIRWAYS, INC.

and

PAN AMERICAN WORLD AIRWAYS, INC.
VARIOUS OTHER AIR CARRIERS AND OTHER CARRIERS
relating to intercompany arrangements.

ORDER APPROVING AGREEMENTS

There having been filed with the Board pursuant to section 412(a) of the Civil Aeronautics Act and Part 261 of the Board's Economic Regulations certain agreements between various carriers as indicated below:

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
664	Pan American-Grace Airways, Inc. Pan American World Airways, Inc.	Joint ground services and facilities, Buenos Aires, Argentina
6404	The Flying Tiger Line, Inc. Western Transportation Co.	Pickup and delivery, Los Angeles, California
6405	The Flying Tiger Line, Inc. Western Transportation Co.	Pickup and delivery, San Francisco area
6406	The Flying Tiger Line, Inc. Western Transportation Co.	Pickup and delivery, Seattle-Tacoma, Washington
6407	The Flying Tiger Line, Inc. Western Transportation Co.	Pickup and delivery, Portland, Oregon
6408	The Flying Tiger Line, Inc. Western Transportation Co.	Pickup and delivery, New York and Newark
6409	The Flying Tiger Line, Inc. Timothy J. Shanahan, III d/b/a Shanahan Trucking Co.	Pickup and delivery, Philadelphia, Pennsylvania
[fol. 3263]		
6417	The Flying Tiger Line, Inc. Bouma Cartage Company	Pickup and delivery, Grand Rapids, Michigan
6470	Slick Airways, Inc. David Poracaro, d/b/a Dave's Motor Transportation	Pickup and delivery, Boston, Massachusetts
6661	The Flying Tiger Line, Inc. Joseph Levine Trucking, Inc.	Pickup and delivery, Hartford, Connecticut
6694	The Flying Tiger Line, Inc. Fairfield Airfreight	Airfreight agency
6737	Seaboard & Western Airlines, Inc. Trans-Caribbean Airways, Inc.	Sale and lease of aircraft

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
6739	American Airlines, Inc. Mohawk Airlines, Inc.	Joint city ticket offices, Albany, New York, Schenectady, New York
6760	American Airlines, Inc. Central Airlines, Inc.	City ticket office ser- vice, Dallas, Texas, Oklahoma City and Tulsa, Oklahoma
6762	The Flying Tiger Line, Inc. Jenkins-Simmons Trans Co., Inc.	Airfreight agency
6763	The Flying Tiger Line, Inc. Pacific Transfer Co.	Airfreight agency
6765	Northwest Airlines, Inc. North Central Airlines, Inc.	Sublease of hangar space, Minneapolis, Minnesota

The Board, upon consideration of said agreements, not finding them to be adverse to the public interest or in violation of the Civil Aeronautics Act;

IT IS ORDERED THAT:

The agreements listed above be and they hereby are approved.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN

M. C. Mulligan
Secretary

(SEAL)

[fol. 3264]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 328

Order No. E-7416

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 27th day of May, 1953

In the matter of agreements filed under section 412(a) of the Civil Aeronautics Act between Pan American World Airways, Inc. (Pan American) and its affiliate, Aerpuertos Unidos, S.A. (AUSA), with the following carriers:

NATIONAL AIRLINES, INC.

Agreements C.A.B. Nos.

1031, 1031 A1

BRAXIFF AIRWAYS, INC.

1980, 1980 A, A2, A3, A4, A5

CHICAGO AND SOUTHERN AIR LINES, INC.

2466, 2466 A, A2, A3, A4, A5, A6, A7, A8

KONINKLIJKE LUCHTVAART

3923, 3923 A, A2, A3, A4, A5

MAATSCHAPPIJ, N.V. (KLM)

A6, A7, A8, A9

LINEA AEROPOSTAL VENEZOLANO

4132, 4132 A1

BRITISH OVERSEAS AIRWAYS CORP.

4906 A4

IBERIA LINEAS AEREAS ESPANOLAS

4963, 4963 A1

LINEAS AEREAS COSTARRICENSES, S.A.

5312, 5312 A, A2

RESORT AIRLINES, INC.

6551

relating to the furnishing of ground services and facilities at Rancho Boyeros Airport, Havana, Cuba, and certain other points.

ORDER

There having been filed with the Board, under section 412(a) of the Civil Aeronautics Act of 1938, as amended, certain agreements whereby Pan American, furnishes ground services and facilities to various United States and foreign air carriers at Rancho Boyeros Airport, Havana, Cuba, through its wholly owned affiliate, AUSA, and at other locations:

[fol. 3265]

The Board finding that the agreements are not adverse to the public interest or in violation of the Act;

IT IS ORDERED THAT:

1. The agreements listed above be and they hereby are approved.

By the Civil Aeronautics Board:

/s/ M. C. MULLIGAN,

M. C. Mulligan
Secretary

(SEAL)

[fol. 3266]

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 329

Order No. E-8862

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 29th day of December, 1954

Agreement CAB No. 8540, *et al.*

In the matter of agreements filed pursuant to section 412(a)
of the Civil Aeronautics Act between

TRANS WORLD AIRLINES, INC.
DELTA AIR LINES, INC.

and

VARIOUS OTHER AIR CARRIERS AND OTHER CARRIERS
relating to intercompany arrangements.

ORDER APPROVING AGREEMENTS

There having been filed with the Board pursuant to section 412(a) of the Civil Aeronautics Act and Part 261 of the Board's Economic Regulations certain agreements between various carriers as indicated below:

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
8540	Trans World Airlines, Inc. Delta Air Lines, Inc.	Radio transmitter site, St. Louis, Missouri
8541	Continental Air Lines, Inc. Union Pacific Railroad Co.	Tank storage facilities, Sandown, Colorado
8542	Eastern Air Lines, Inc. Olley Air Service Ltd.	Interline settlements

CAB No.	Parties	Subject
8543	Eastern Air Lines, Inc. Morton Air Services Ltd.	Interline settlements
2274-A2	United Air Lines, Inc. Eastern Air Lines, Inc. Hilton Hotels Corporation	Lease of ticket office, Washington, D. C.
8544	Slick Airways, Inc. Public Freight System	Airfreight agency
[fol. 3267]		
8545	Slick Airways, Inc. James J. Morrissey, Inc.	Airfreight agency, New York, New York
8546	Capital Airlines, Inc. Seaboard Air Line Railroad Co.	Passenger transportation
8547	Mohawk Airlines, Inc. Compagnie Nationale Air France	Interline traffic
8548	New York Airways, Inc. Iberia Air Lines of Spain	Interline traffic
8510	Pan American World Airways, Inc. Braniff Airways, Inc.	Participation in certain Pan American System tariffs
8514	The Flying Tiger Line, Inc. Air Cargo Terminals, Inc.	Pickup and delivery, Los Angeles and Burbank, California.
8513	Slick Airways, Inc. Arthur Dixon Transfer Company	Pickup and delivery, Chicago, Illinois
8515	Ozark Airlines, Inc. Lake Central Airlines, Inc.	Station operations Danville, Illinois
8492	Pan American World Airways, Inc. National Airlines, Inc.	Reciprocal base of air- craft.
8488	Pan American World Airways, Inc. Eastern Air Lines, Inc.	Reciprocal base of air- craft
842 A1	Members of the Air Traffic Conference of America	Policy standards of ground transportation service

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The Board, upon consideration of said agreements, not finding them to be adverse to the public interest or in violation of the Civil Aeronautics Act;

IT IS ORDERED THAT the agreements listed above be and they hereby are approved.

By the Civil Aeronautics Board:

M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)

fol. 3268

PAN AMERICAN WORLD AIRWAYS, INC. EXHIBIT 220

Order No. E-9130

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 25th day of April, 1955

Agreement CAB No. 845, et al

In the matter of Agreements filed pursuant to section 412(a)
of the Civil Aeronautics Act involving

UNITED AIR LINES, INC.

and

WESTERN AIR LINES, INC.

VARIOUS OTHER AIR CARRIERS AND OTHER CARRIERS

relating to intercompany arrangements

ORDER APPROVING AGREEMENTS

There having been filed with the Board pursuant to section 412(a)
of the Civil Aeronautics Act and Part 261 of the Board's Economic

Regulations certain agreements between various carriers as indicated below:

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
8841	United Air Lines, Inc. Western Air Lines, Inc.	Use of power rectifier, Cheyenne, Wyoming
8842	Pan American World Airways, Inc. Aerovías Nacionales de Colombia, S. A.	Interline traffic
8732-A1	American Airlines, Inc. Trans World Airlines, Inc.	Remote Transmitter site, Phoenix, Arizona
8843	American Airlines, Inc. United Air Lines, Inc.	Sanitary facilities Cleveland, Ohio
5601-A1	United Air Lines, Inc. Trans World Airlines, Inc.	Sublease of hangar space Washington National Airport
8844	National Airlines, Inc. Aerovias Panama, S. A.	Interline traffic
[fol. 3269] 4617-A2	Capital Airlines, Inc. American Airlines, Inc.	Emergency mainte- nance, Charleston, West Virginia
7616-A2	Capital Airlines, Inc. Allegheny Airlines, Inc.	DC-3 maintenance, Buffalo, New York
8845	Pan American World Airways, Inc. Southwest Airways Company	Employee vacation fare discounts
6268-A4	Trans World Airlines, Inc. El Al Israel Airlines, Inc.	Ground transportation between Tel-Aviv and Lydda Airport
8846	Northwest Airlines, Inc. United Air Lines, Inc.	Public address system, Spokane, Washington
3148-A4	Northwest Airlines, Inc. United Air Lines, Inc.	Catering service, Spokane, Washington

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
3387-A3	Pan American World Airways, Inc. American President Lines, Inc.	Interline passenger traffic (air sea).
8847	Delta Air Lines, Inc. United Air Lines, Inc.	Acceptance of Burroughs Ticketeer tickets
8848	United Air Lines, Inc. Pan American World Airways, Inc.	Employee vacation fare discounts
2006-A2	Delta Air Lines, Inc. Capital Airlines, Inc.	Ramp services, Atlanta, Georgia
8849	Delta Air Lines, Inc. North Central Airlines, Inc.	Use of baggage conveyor, Detroit, Michigan
	Air Cargo, Inc. with the following:	
5780-A2	S. O. Gourley, Individual and two air carriers	Pickup and delivery, Austin, Texas
3834-A1	Burch Transfer Co. Continental Air Lines, Inc.	Salina, Kansas
4508-A1	Union Truck & Storage Company American Airlines, Inc.	Jackson, Michigan
6741-A2	Emmerson Truck & Storage Co., Inc. American Airlines, Inc.	Battle Creek, Michigan
8850	R. E. Nichols, Individual Eastern Air Lines, Inc.	Lake Charles, Louisiana
[fol:3270]	Slick Airways, Inc. with the following:	
8851	El Camino Travel Service	Airfreight agency San Clemente, California

3352

<i>CAB No.</i>	<i>Parties</i>	<i>Subject</i>
8852	R. M. McGrath	Philadelphia, Pennsylvania
8853	Eastern Trucking Co.	East Hartford, Connecticut
8854	Commercial Motor Freight, Inc.	Cleveland, Ohio
8855	Niels C. Hansen	San Francisco, California
8856	Yale Transport Corp.	New York, New York
8857	Berens Express	Waukegan, Illinois

The Board, upon consideration of said agreements, not finding them to be adverse to the public interest or in violation of the Civil Aeronautics Act:

IT IS ORDERED THAT the Agreements listed above be and they hereby are approved.

By the Civil Aeronautics Board:

M. C. MULLIGAN
M. C. Mulligan
Secretary

(SEAL)